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Savage struggle for market share

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Military exercises reflect new balance of power

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FT WEEKEND

Movie hype on a Titanic scale

TOMORROW

World Business Newspaper http://www.FT.com FRIDAY JANUARY 2 1998

Europe State of the Union

The groundwork for a transformation of the European Union will be laid in the next few months, as negotiations begin with potential new members from Eastern Europe, while existing states choose the founder members of the planned single currency. At the outset of the UK's 6-month presidency of the EU, **a special 8-page supplement in Monday's FT surveys the challenges facing the union at this historic time.**

WORLD NEWS

New Year killing puts N Ireland peace process at serious risk

Northern Ireland's peace process was under intense pressure last night after a Catholic was murdered in North Belfast on New Year's eve. Responsibility for the killing was claimed by the outlawed Loyalist Volunteer Force, whose leader, Billy Wright, died last week at the hands of an outlawed republican terror group. The LVF warned the latest attack would not be the last. Page 8

150 die in Burundi attack
Burundi's Tutsi-dominated army is hunting Hutu rebels who killed at least 150 people in an attack on a village and military camp near Bujumbura airport. Page 2

Minister threatens to quit
Israeli foreign minister David Levy said he would resign if prime minister Benjamin Netanyahu's austerity budget was adopted. Page 2

Nazi gold hunt turns to France
US lawyers trying to retrieve "Nazi gold" looted from Holocaust victims and their families are making inquiries in France. A US class action has been launched on behalf two French-born Jews in New York. Page 2

Immigrant boat adrift
A ship carrying hundreds of Kurds and others but no captain was intercepted off Italy. It arrived a day after President Oscar Luigi Scalfaro said Italy was "wide open" to immigrants.

China facing 'crucial' year
Chinese president Jiang Zemin said 1998 would be a "crucial year" for implementing tasks set out during September's Communist Party congress – mainly reforms aimed at revamping the lumbering state sector. China voices fears of Asian crisis, Page 3; Difficult year ahead, Page 6

Clinton delays Asia trip
President Bill Clinton is postponing a February visit to India and Pakistan because of political turmoil there.

Kennedy killed while skiing
Michael Kennedy, 39-year-old son of murdered US senator Robert Kennedy, died in a skiing accident on New Year's eve near a Colorado mountain resort. Page 2

Balloon attempt launched
American Steve Fossett headed over the Atlantic towards Europe in his "Solo Spirit" balloon on his third attempt at a non-stop round-the-world flight.

Less pain, more gain
US scientists at Abbott Laboratories, Illinois, have discovered a non-addictive pain killer as potent as morphine, says a report in the weekly journal *Science*.

Buddy nuisance
Jordanian village mayor Sheikh Badi Rsheid al-Yahya Bani Sakhr is threatening legal action to make US president Bill Clinton change the name of his new dog Buddy, pronounced Badi in Arabic. "My tribespeople have started pointing at me in the market calling me 'Clinton's Dog,'" he said.

BUSINESS NEWS

Gan sells off UK arm for $495m ahead of flotation

Life Assurance Holding Corporation, a UK-based fund established to purchase troubled insurance businesses, has agreed to buy the UK arm of Gan, the state-owned French insurer, in a deal worth about £300m ($495m). The purchase should clear the way for the privatisation of the French parent company. Page 9

Mexico, Switzerland, Italy and the US ended 1997 as the best performing of the larger equity markets in dollar terms. The benchmark FT/S&P World index rose 1.2 per cent overall over the year despite the Asian crisis. Page 9; Economic forecasts, Page 6; World stocks, Page 24

Zurich Group, Switzerland's largest insurance company, says it has completed the formation of New York-based Scudder Kemper Investments, an investment group with more than $200bn in assets under management, set up as the result of Zurich Group's $2.4bn acquisition of Scudder, Stevens & Clark. Page 10

Hambros Bank bonds division employees will receive a share in the proceeds when it is sold by Société Générale, the French bank which acquired the unit when it bought the whole of UK-based Hambros' banking operations last month for £300m ($495m). Page 11; Bonds, Page 12

BFT Plastics, a family-owned UK company based in Northern Ireland, has teamed up with Krupp Kautex, part of Germany's Krupp Hoesch steel group, to make plastic pallets which could ultimately replace the tens of millions of wooden pallets used around the world. Page 11

Several UK construction groups including Tarmac and Balfour Beatty have discussed taking small equity stakes in London *Continental Railways*, the company awarded the concession to build the $9bn high-speed rail link between London and the Channel Tunnel. Page 11

Daimler-Benz will keep its books in euros instead of D-marks as soon as the planned single currency is introduced next year, company chief Juergen Schrempp was quoted as saying by the Stuttgarter Nachrichten newspaper

Siemens and Motorola, the German and US electronics groups, are to extend their partnership by building a pilot plant in Dresden, east Germany, to develop computer chip production. Page 10

Egypt's oil production fell 1.4 per cent to 31.3 million tonnes in the first nine months of 1997 compared with the same period the year before, the country's public oil authority said. Commodities, Page 14

Acer, the Taiwanese computer concern, said the falling Taiwan dollar would buoy earnings for 1997 despite steep losses at TI-Acer, its memory chip-making joint venture with Texas Instruments of the US. Page 9

US banks to suggest Korea debt overhaul

By John Authers in New York and John Burton in Seoul

A group of the largest US banks is preparing a long-term plan to restructure South Korea's debt which they hope to present to the Seoul government at the beginning of next week. They are confident that the current roll-over of 30-day debt can be completed, and that they can persuade Korea to issue longer-term debt at the current high market rates of interest.

The moves come as South Korea is braced for a wave of bankruptcies as early as tomorrow, when the Seoul stock market reopens at the end of the New Year holiday. Companies are struggling to settle year-end accounts amid a severe credit crunch.

More than 100 Korean companies were estimated to be threatened by possible bankruptcy if they were unable to meet $1.5bn in payments on bond issues due by the year-end. The companies had problems raising capital before the holiday as investors demanded high yields on new bond issues and banks reduced lending to meet capital adequacy levels demanded by the IMF.

"The truth is that almost no group is safe unless they restructure," said Richard Wallace, equities head for Dresdner Kleinwort Benson in Seoul. "Most companies are under threat if interest rates stay at 30 per cent," which is nearly five times the inflation rate."

Despite the alarm in Korea, US banks seemed confident that the country's immediate liquidity problems had been addressed, although this had proved to be a "huge job".

The next priority is to agree a longer-term plan by the end of this month. As one banker put it: "Everyone really hates the idea of rolling this thing over again. By the end of January, something's got to happen."

Talks among the banks, led by Chase Manhattan, Citicorp and J P Morgan, are still at a fluid stage. Chase and Citicorp took the lead in organising the short-term roll-over, while J P Morgan has drawn up a long-term plan which would see the Korean government issuing more than $15bn in new securities, extending for one, five and 10 years.

Bankers said it was in the Korean government's best interests to borrow at current market rates, even though these have risen by several percentage points since the nation's sovereign debt was downgraded to junk bond status by Moody's and Standard & Poor's, the leading rating agencies.

One banker said: "They are going to need more money. Where are they going to get it? The only place it seems to me they can get it is the markets."

Some bankers within the group expressed reservations about the publicity which the J P Morgan plan has already received, and tried to play down suggestions that they were putting pressure on the Korean government before a formal proposal had been agreed.

Uncomfortable questions, Page 3
Difficult year ahead, Page 6
Lex, Page 8

Kenya's Moi set for election win

By Michela Wrong in Nairobi

President Daniel arap Moi was yesterday cruising to a comfortable win in Kenya's multi-party elections as a divided opposition cried foul and blamed a predictably disappointing performance on ballot rigging.

In a scenario reminiscent of the 1992 polls, the election appeared to have been lost by an opposition split along tribal lines rather than convincingly won by Mr Moi, who was emerging with a minority of the national vote.

Unofficial results issued by state and privately owned media for the poll, which many Kenyans regard as the worst organised in the country's history, were conflicting.

But all showed Mr Moi well ahead of his 13 challengers and pointed to the head of state eventually surpassing his 1992 score by winning at least 25 per cent in six of Kenya's eight provinces. To avoid a run-off, the leading candidate must pass the 25 per cent mark in five provinces.

The KTN television channel said that with 150 out of 210 constituencies counted Mr Moi, of the Kenya African National Union (Kanu), had 1.76m votes against 1.39m for Mwai Kibaki, head of the Democratic party and a representative of Kikuyu, the largest tribe. Raila Odinga, of the Luo ethnic group, was third while Charity Ngilu, Kenya's first woman contender, was running fifth behind Michael Wamalwa, head of Ford-Kenya and a member of the Luhya grouping.

Had opposition leaders succeeded in setting aside mutual suspicions and struck an alliance, it was clear they could have beaten Mr Moi.

Belatedly, they were showing signs of forging a common stance, with Mr Kibaki, Mr Odinga and Mr Wamalwa issuing a rare joint statement warning they would not accept rigged elections. One future compensation may lie in a strong parliamentary presence, as preliminary results showed the combined weight of opposition seats outstripping Kanu's share.

Observers have criticised the Electoral Commission's incompetence but the danger that the entire vote might be dismissed as meaningless appeared to be receding yesterday.

Hunt for rebels, Page 2

London's New Year parade featured 10,000 performers including US marching bands. Organisers said a million people lined the route which passed Big Ben and the Houses of Parliament Picture AP

Baby Bells may enter long-distance market

Court ruling undermines US telecoms deregulation

By Mark Suzman in Washington

The US Federal Communications Commission and US long-distance telephone companies reacted with dismay yesterday to a federal judge's ruling striking down key parts of a 1996 law aimed at deregulating the telecommunications industry.

The ruling, if upheld, would prevent the FCC from restricting the right of the five so-called "Baby Bell" local telephone monopolies to offer long-distance services.

The FCC's strategy for achieving deregulation has been to allow the Baby Bells access to the long-distance market only if they allow fair access to new competitors in their markets. The Baby Bells are big regional telephone companies that were formerly part of the AT&T system broken up under court supervision in 1984.

William Kennard, FCC chairman, said: "I am extremely concerned about what seems to be a court's invalidation of much that Congress, this Commission and the affected phone companies have done to bring consumers the benefits of competition."

AT&T, now the biggest US long-distance operator, called the decision "clearly erroneous".

However, SBC Communications, the Texas-based company that brought the case, hailed the decision as a victory for consumers and said it would press ahead with plans to offer long-distance services as soon as possible.

The decision is the latest blow to the 1996 Telecommunications Act, which was intended to deregulate phone markets and usher in an era of greater competition and cheaper services. However, progress has been very slow and long-distance companies such as AT&T and MCI Communications, which have been struggling to establish themselves in local markets, say the Baby Bells are abusing their monopolies to prevent consumers from switching services easily.

Regulators have broadly concurred with such charges, and so far the FCC has rejected applications by three Baby Bells – Ameritech, BellSouth and SBC – to offer such services on the grounds that they have not met a 14-point checklist in the act designed to ensure full and fair competition in local markets.

However, Judge Joe Kendall, presiding over the case in Wichita Falls, Texas, struck down the section of the law that contains the checklist on the grounds that it unfairly singled out the Baby Bells while allowing smaller competitors to enter the long-distance market. The judge also called the checklist "extremely onerous".

The decision marks the second big court case the FCC has lost in recent months. Last year, a separate court struck down the Commission's powers to help regulate the prices that Baby Bells are required to charge competitors for access to their networks. The FCC has appealed that ruling to the US Supreme Court.

Ring in the new, Page 7
Lex, Page 8

Markets

STOCK MARKET INDICES		
New York:		
Dow Jones Ind Av	7908.25	(-7.72)
NASDAQ Composite	1570.37	(+5.34)
Europe and Far East		
CAC40	2998.91	(+23.44)
DAX	closed	
FTSE 100	5135.5	(+3.2)
Nikkei	closed	
US RATES		
Federal Funds	5½%	(5¾%)
3-mth Treas Bills: Yld	5.350%	(5.374%)
Long Bond	102⅛	(102⅛)
Yield	5.920%	(5.978%)
OTHER RATES		
UK: 3-mo Interbank	7⅝%	(same)
UK: 10 yr Gilt	106.9844	(107.024)
France: 10 yr OAT	101.17	(101.19)
Germany: 10 yr Bund	104.68	(104.70)
Japan: 10 yr JGB	109.18	(same)
NORTH SEA OIL (Argus)		
Brent Dated	$16.055	(16.11)

GOLD		
New York: Comex	$289.2	(290.9)
London:	$289.15	(290.15)
EXCHANGE RATES		
Dollar		
New York:		
£	1.6475	
DM	1.79875	
FFr	6.0235	
SFr	1.4620	
Y	130.575	
London:		
£	1.6454	(1.6586)
DM	1.7981	(1.7919)
FFr	6.0180	(5.9931)
SFr	1.4585	(1.4641)
Y	130.025	(129.74)
Tokyo		closed
Sterling		
DM	2.9585	(2.9677)

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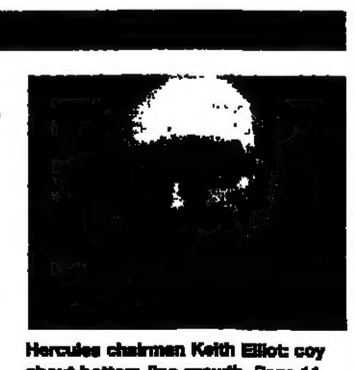
COMMENT & ANALYSIS



Hercules chairman Keith Elliot: coy about bottom-line growth, Page 11

FINANCE

EMERGING MARKETS

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NEWS: INTERNATIONAL

Holocaust reckoning for Vichy banks

By John Authers in New York and David Owen in Paris

US lawyers trying to retrieve so-called "Nazi gold" looted from Holocaust victims and their families have widened their search to France.

A class action suit has been filed in New York on behalf of Fernande Bodner and Anna Zajdenberg, two Jews born in France and now resident in New York, whose family's assets were confiscated during the second world war and have never been returned.

Nine international banks which had operations in France under the wartime Vichy regime, including Barclays of the UK, Crédit Lyonnais, Société Générale and Banque Paribas, are accused in the law suit. It says that they collaborated with the Nazis and Vichy authorities in "systematically plundering cash, gold, foreign exchange, securities, jewellery, art, treasures, businesses and equipment".

It claims: "The French banks continue to hold significant records and assets of Holocaust victims and survivors for which they have not given an adequate accounting."

According to Kenneth McCallion, the attorney leading the suit, a key aim of the action is to allow a full accounting of the records which he says are in the possession of the banks. However, neither the lawyers bringing the action, nor the French banks themselves, seem clear on where the assets would now be.

Swiss banks, which have been under investigation for more than two years on the issue of Holocaust victims' accounts, have unusually lenient banking laws which allow accounts to remain dormant for an unlimited time without being turned over to the state. France has rules requiring that accounts dormant for more than 10 years and safety deposit boxes dormant for more than 30 years be transferred to the Caisse des Dépôts et Consignations, a state-controlled financial institution. But this law has only been in place since 1957.

Robert de Bruin, a representative of the French Bankers' Association, said laws enacted by the Vichy government called for banks to transfer identified Jewish assets to the Caisse, although it was possible banks had not complied with this demand in all cases.

Mr de Bruin said the French banking community had started "in-depth investigations" almost a year ago and some results were expected during 1998.

Pierre Saragoussi, adviser to the director-general at the Caisse, said yesterday the French situation was "very different from Switzerland" because steps had been taken to return assets almost immediately after Paris was liberated in August 1944. "There have been a lot of repayments," he said, although figures would only be available later this year.

According to the allegations lodged in New York, the French banking industry "actually anticipated the promulgation of French laws and regulations that froze the assets of Jews", and began blocking withdrawals from Jewish accounts before they were required to do so.

Burundi army in hunt for rebels

Burundi's Tutsi-dominated army is hunting a group of at least 1,000 Hutu rebels who killed 150 people in an attack on a village and military camp near Bujumbura airport yesterday, a senior commander said, Reuters reports.

Colonel Jean-Bosco Daradangwe said the army had stepped up operations against the rebels, who attacked at 4am. One soldier and 30 rebels had been killed.

He said the rebels had attacked as part of a broader strategy to destabilise governments in Burundi, Rwanda and Congo (formerly Zaire) and were pillaging villages as they retreated.

"They are attacking anything on their way out. They are killing indiscriminately, be it Hutu or Tutsi, [and] are forcefully taking people with them as they retreat."

Burundi has been crippled by periodic ethnic massacres since independence in 1962, forcing hundreds of thousands of people to flee as refugees.

Ethnic Hutus are believed to make up about 85 per cent of the population in Burundi and neighbouring Rwanda. The Tutsis make up less than 15 per cent.

Col Daradangwe said the rebels came from Congo and Rwanda to reinforce their comrades in Burundi, who have been fighting a guerrilla war since 1993. The Tutsi-dominated armies of Rwanda and Burundi helped Laurent Kabila to power after his forces toppled Mobutu Sese Seko in the former Zaire last year.

State radio in Rwanda, where Hutus waged a genocidal war against Tutsis in 1994 in which an estimated 800,000 Tutsis were slaughtered, said the rebel force caused mayhem as it retreated after a battle with Burundi's army.

The radio, quoting Burundian officials, said shells landed at Bujumbura airport during the fighting which caused panic in the lakeside city.

Burundi's Hutu rebel group, the National Council for the Defence of Democracy, was founded by Leonard Nyangoma, a former interior minister.

It says it represents the country's Hutu majority and has set up its own clandestine local government, complete with an administration and tax-collecting powers in some parts of Burundi, according to army officials.

Regional military sources say Mr Nyangoma has clinched alliances with Rwandan Hutu rebels, former Zaire government troops and Mai-Mai traditional warriors from Congo's Kivu region.

Forces that forge Israel-Turkey ties

Judy Dempsey on a relationship to be sealed by military exercises next week

A relationship which started covertly during the 1950s comes out into the open next week when for the first time Israel and Turkey hold joint military exercises alongside the US in the eastern Mediterranean.

The exercises have already been criticised by Egypt, Syria and Iran, which claim they threaten security in the region.

But for Israeli and Turkish officials, they will provide a chance to cement a relationship built on military and economic co-operation. Participation by the US, say diplomats, will provide a stamp of approval for such ties in a region in which Turkey feels increasingly isolated from its Arab neighbours because of its relations with the Jewish state.

They add that the exercises signal Turkey's ability to rely on the US. Washington has become Turkey's leading western ally, notably since Ankara failed in its bid to be invited to start membership negotiations with the European Union. "Above all, it shows the makings of a new balance of power in this part of the Middle East, shaped by the US, Israel and Turkey," a diplomat added.

For Israel, the exercises are the climax of a strategy developed during the 1950s by David Ben-Gurion, Israel's first prime minister. He wanted to forge ties with Turkey, Iran and Ethiopia, non-Arab states in the region. When the Shah of Iran was overthrown in 1979 and Ethiopia slipped into chaos, links with Turkey became even more vital.

"Turkey, at that time, always treated Israel as a kind of mistress because of fear of an Arab backlash," said Amikan Nachmani, a political scientist at Tel Aviv University. "This changed once the peace process started in the early 1990s. Everything has since become open."

Military and economic ties have blossomed. Israel won a $650m contract to upgrade Turkey's 54 F-4 Phantom fighters and will provide Ankara with military intelligence equipment. Earlier this week, Turkey awarded Israel a $75m contract to upgrade 48 F-5 fighter jets.

Trade is expected to reach $1bn in 1998, with Israel providing technology and electronics and Turkey raw materials. "The relationship stands on two legs now – military and civilian. This will make it more difficult to break," Mr Nachmani said.

Such a relationship between a Jewish and a Moslem state may seem puzzling. But at its core is both countries' fear of Iran, one which drove Shimon Peres, Israel's former prime minister, to strengthen ties with Ankara.

"Peres had one overriding concern," an Israeli government official said. "He wanted the secular wing in Turkey to prevail. He wanted the Islamic influence to weaken. And he wanted the European Union to open its doors to Turkey and lock it into Europe. Deep down was his fear of Iran."

Just as important for Israel was the need to use its relationship with Turkey to exert its influence in the central Asia republics, again with the aim of improving access to raw material, especially energy, and building alliances to counter Iran's influence. "We wanted to use Turkey's interests in the region to draw these republics into the Israel-Turkey club," explains an Israeli official.

Since the collapse of the Soviet Union in 1991, Israel has been trying to achieve such a goal. It quickly established full diplomatic relations with Uzbekistan, Turkmenistan, Tajikistan, Kyrgyzstan and Azerbaijan and Armenia.

The US and Israel are separately working on seven farm projects in Uzbekistan, Kazakhstan and Kyrgyzstan to establish a US-Israeli presence in the region and tie these republics to Turkey. Israel has also been lobbying Congress to lift Amendment 907 investment curbs, imposed during the Azerbaijan-Armenia conflict.

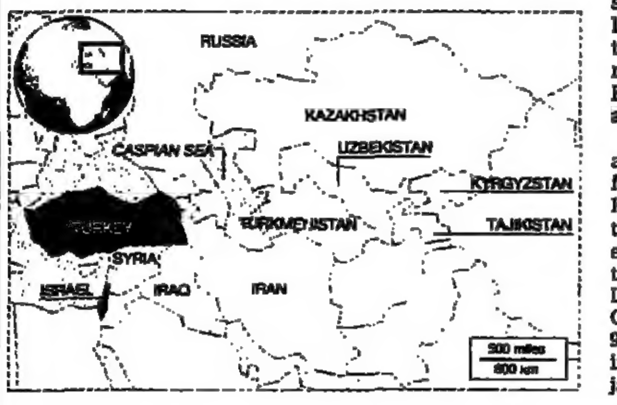
An Israeli policeman removes an Iraqi flag raised in east Jerusalem yesterday by Palestinian protesters Reuters

The peace process was the catalyst that persuaded Turkey to go public with the relationship. "We could do no wrong in the mid-1990s," an Israeli official said. "Because of the peace process, many doors opened for us." But Israeli and Turkish officials admit the stalemate in the peace process has not helped the relationship. A Turkish diplomat puts it this way: "The Arab states don't like what we are doing with Israel because the negotiations with the Palestinians are going nowhere."

Turkey vows not to be swayed away from the relationship with Israel. "We will not be intimidated," a Turkish diplomat says. This commitment was demonstrated at the recent Islamic Conference in Tehran: Turkish officials walked out of a session when its ties with Israel were criticised.

But Israel cannot take Ankara's unconditional support for granted. Sections of Turkish public opinion are growing critical of Israel's treatment of the Palestinians.

"The failure of the peace process could fuel elements in Turkey opposed to relations with Israel," an Israeli official admits. "That is why further deepening of our ties with Turkey depends on how the peace process develops. We cannot pretend otherwise."



German clash as telecom market opens

By Andrew Fisher in Frankfurt

The first day of full competition in the European telecommunications market was marked by a clash in Germany between Deutsche Telekom and one of its main rivals, which accused it of over-charging for routing calls through its network.

The liberalised European market will allow full competition in fixed and mobile telephony, both voice and data, and full foreign ownership of national carriers.

In Germany, o.tel.o, owned by industrial groups Veba and RWE, has written to Klaus-Dieter Scheurle, head of the new German regulatory agency for telecommunications, asking him to stop Deutsche Telekom imposing such a "high" routing charge.

The company said the one-off charge of DM85 ($48), before value-added tax, to subscribers dialling via the Deutsche Telekom network to use the long-distance and international services of another carrier was not justified by the costs. It added that corresponding fees in the deregulated US and UK markets were far lower.

Deutsche Telekom, which did not confirm the size of its "pre-selection" charge, denied it would distort competition. It said the costs of administration and software for its computers to route calls to a competing carrier justified the fee.

The issue will be an early test for Mr Scheurle, who confirmed on Bavarian television that Deutsche Telekom had applied for permission to levy a charge on subscribers signing contracts for competitors' services. The fee would not affect those making occasional calls with other telecoms companies.

The regulatory agency said it would examine the issue but had no immediate comment on o.tel.o's complaint.

Deutsche Telekom said it was normal practice in the US for the pre-selection charge to be paid by the alternative carrier chosen by the subscriber and this would probably also be the case in Germany. As a result, subscribers would not face extra costs.

The dispute is further evidence of the aggressive spirit sweeping through the fully liberalised German telecoms sector. To combat the cheaper services of its rivals, Deutsche Telekom, which is majority-owned by the government, last month announced sharp cuts in prices for long-distance and foreign calls, where it faces the stiffest competition.

Deutsche Telekom is also furious at the regulator's decision to set what it regards as unfairly low prices for interconnections between its network and those of rivals. It is challenging this in court.

● The Spanish government has set out the conditions for a third company to enter the basic telephone market, up to now a monopoly of the Telefónica group, **David White reports from Madrid.**

This year's tender for the third operator is being prepared just as the second operator, Retevisión, readies itself to start advertising its services next week.

The new competitor will be required to invest Pta100bn ($660m) over five years, and 30 per cent of the total in the first year. The government said it would give priority consideration to plans for job creation and regional services.

Likely bidders include Cableuropa, a cable television company whose main shareholder is a US consortium including GE Capital Services. France Telecom is also expected to be in the running after losing its bid last year in conjunction with Sprint, the US carrier, for control of Retevisión.

Ring in the new, Page 7

Revealing Romania's shameful past

Anatol Lieven on a fight over communist files, eight years after the revolution

Constantin Ticu Dumitrescu has been a member of the Romanian Senate for five years, but his memories of the senate building go back further than that. After his arrest by the Securitate, the communist secret police, in 1947, he spent months imprisoned in the cellars of the building, then the interior ministry – part of 11 years he spent in jail for his work for the National Peasants' party.

Today, Mr Dumitrescu says, even as a senator he cannot get permission to visit his former cell: "They say that the cellars and tunnels are now military property, and a military secret." He uses this anecdote to reinforce his argument about the layers of opacity which he says still cover the truth both about past Securitate activities and the continuing power of former Securitate members in Romania today.

As head of the Association of Political Prisoners, Mr Dumitrescu has introduced a law to the Senate which would allow people access to their own Securitate files. It would also introduce screening of public figures to establish if they were Securitate agents or informers, with right of judicial appeal.

"We need moral therapy in this country," Mr Dumitrescu argues. "All the people who were Securitate informers are not clean and free. They can be manipulated by their former masters. So the real point is not what happened under communism, it is the danger today."

The move comes more than five years after such laws were introduced in other former communist countries. The results everywhere were controversial, but the process in Romania may be the most bitter of them all – if it ever happens.

For most of the period since the Christmas revolution of 1989 Romania was governed by the administration of President Ion Iliescu, drawn overwhelmingly from the former senior communist elite. Thousands of former Securitate officers passed straight into the "new" domestic intelligence service, the SRI. According to western diplomats, the initial capital for most new Romanian businesses in 1990-92 was also drawn from the secret foreign bank accounts of the Securitate, which controlled much of communist Romania's trade.

The Securitate was also simply nastier than any other east European secret police except Albania's. It was also the only force to fight hard at the beginning against revolution in December 1989. Above all, it was ubiquitous even by communist standards. By some accounts, one in four adult Romanians gave information to the secret police at one time or another.

The Peasants' party won election last year on a platform of bringing out the truth about the Securitate. It became the leading force in the new reformist administration of its leader, President Emil Constantinescu. Mr Dumitrescu is leading the fight to keep the party and government to their word – and making himself very unpopular in the process. Government representatives say that changes to his draft are necessary to protect the innocent from false accusations. Mr Dumitrescu has accused members of the government and party leadership of trying to smother his law because they have something to hide. In October he was suspended from the party for "indiscipline".

Mr Dumitrescu's critics say that if mishandled, the files could do terrible damage. Nicolae Ionescu-Galbeni, chairman of the committee on the Securitate in the National Assembly, the lower house of parliament, said: "From 1989 to 1996, up to 100,000 files are estimated to have disappeared. Who has them now? More may have been forged, and it will be very difficult to prove which are genuine. It makes the whole process very dangerous."

Mr Galbeni also argued that there was a risk not just of political blackmail and harm to innocent individuals but to national confidence and pride: "There is a danger that important institutions like the Orthodox Church will be cast in a bad light." In his words, "Many leading church officials may indeed have been forced to collaborate with the Securitate; but most did so in order that the church itself should survive. Who can judge now what would have been best?"

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NEWS DIGEST

Nevada leads US growth

Nevada was the fastest growing state in the US for the 12th consecutive year in 1997, mainly because of the rapid growth of Las Vegas, according to new population estimates.

According to the Census Department, the Las Vegas population has grown by more than 40 per cent since 1990 to over 1.2m, making it by far the fastest growing city in the US. Nine other towns, nearly all in southern and western states, expanded by more than 20 per cent over the same period.

However, the data also show that large metropolitan areas such as New York, Chicago and Los Angeles are growing swiftly, fuelled by a surge in immigration. The greater New York metropolitan area remains the biggest in the country with just under 20m people.

Los Angeles is second with a population of 15.5m and Chicago third at 8.5m. *Mark Suzman, Washington*

■ ISRAELI BUDGET

Netanyahu gives ground

Israel's governing coalition partners were yesterday extracting further concessions from Benjamin Netanyahu, the prime minister, in return for supporting a budget originally aimed at reducing the government deficit to 2.4 per cent of gross domestic product.

The concessions ranged from increasing expenditure by at least Shk500m ($142m) for the *yeshivot*, the religious schools, to building new by-pass roads at a cost of Shk170m for Jewish settlers in the occupied West Bank.

David Levy, the foreign minister, again threatened to resign yesterday if spending for the health service and development towns was cut. In all, finance ministry officials said Mr Netanyahu has promised at least Shk1bn to all the pressure groups within the government, promises which undermine attempts by Yaakov Neeman, the finance minister, to cut this year's expenditure by Shk2.8bn.

It is unclear how long Mr Neeman, who is not affiliated to any political party, will be able to withstand political blackmail from coalition partners who threaten to quit the government if spending is cut. Mr Netanyahu's concessions expose the weakness of a government which depends on a diverse group of parties whose main interest is staying in power. *Judy Dempsey, Jerusalem*

■ FRANCE AND THE EU

Treaty requires legal change

France will need to revise its constitution before ratifying the European Union's Amsterdam treaty, the document intended to update the 1992 Maastricht treaty on economic and monetary union.

The constitutional council, the country's top legal body, has ruled that the treaty is in conflict with the constitution because it would allow majority, rather than unanimous, voting on immigration matters in the European council. In a unanimous judgment, the body said it was up to the public authorities to set the terms of the revision in a way that got around the constitutional obstacles it had identified.

The constitution, which has been revised 10 times since the beginning of the Fifth Republic in 1958, can be altered by parliament or by referendum. Analysts believe a parliamentary vote is much the more likely option, given the tiny majority accorded to the Maastricht treaty in a previous referendum in 1992.

Meanwhile, President Jacques Chirac used his traditional New Year address to emphasise that he would continue to speak out on issues where he judged French interests were at stake. Tensions between the president and Lionel Jospin's Socialist-led government have often been evident since the prime minister came to power in June. Mr Chirac's latest comments suggest he at least is unlikely to keep quiet in future. *David Owen, Paris*

■ SPANISH STRIKES

Coal-miners fight EU cuts

Unions at state-owned coal mines in northern Spain are stepping up a strike campaign against the threat of additional cuts in production and jobs imposed by the European Commission. The Commission has challenged part of the Spanish government's plans for the coal industry agreed with unions earlier this year, saying output at the loss-making nationalised mines should be cut by 37 per cent to 1.5m tonnes in 2001, instead of a proposed reduction of just over 11 per cent.

Union leaders say this would mean 2,000 more job losses in addition to some 1,700 jobs already due to go at Hunosa, the main state mining company, and the smaller Minas de Figaredo, which currently employ about 9,500 people. The two main unions, which are also involved in a pay dispute, plan to halt output today and for two days next week, following stoppages on three work days over the Christmas period.

The government's current plans envisage cutting 7,000 of the 25,000 jobs in the coal industry, including private-sector mines, by 2005. *David White, Madrid*

■ NEW YEAR VIOLENCE

Youths rampage in Strasbourg

Violence marred New Year celebrations in the French city of Strasbourg when youths set fire to more than 50 cars in a rampage of destruction, officials said yesterday. Revellers smashed phone boxes and bus shelters and set off home-made bombs in the city centre in what police called Strasbourg's worst violence in a decade.

There were also scattered incidents of violence in some Paris suburbs during New Year celebrations, police said. Stones were thrown at fire-fighters trying to put out cars set ablaze in the Yvelines and Seine-Saint-Denis departments just outside the French capital, police said.

Twelve people, all between 13 and 20 years old, were in custody for questioning in Strasbourg, Patrice Magnier, the prefect, told a news conference yesterday.

Four hundred riot police and 200 fire-fighters were called out during the night to control the crowds and douse the fires. *Reuters, Strasbourg*

■ SKIING DEATH

Kennedy family in mourning

Members of the Kennedy family yesterday mourned the death of Michael Kennedy, son of the late Senator Robert Kennedy, in a New Year's eve skiing accident on Aspen Mountain, Colorado. Kennedy, 39, died on Wednesday after he hit a tree on the last run of the day.

He headed Citizens Energy, a nonprofit organisation that supplies heating fuel to the poor, and managed his uncle Edward Kennedy's US Senate re-election campaign in 1994. He was the second child of the slain former senator to die under tragic circumstances. His older brother David died in 1984 from an overdose of cocaine and prescription drugs. *Reuters, Aspen*

S Korea rescue raises uncomfortable questions

For US and IMF officials, the relative calm that has descended over Asian markets in the last week is as welcome start to the New Year as they could have wished for.

Washington's monetary experts are in a self-congratulatory mood now their latest move to restore stability to South Korea seems, for the moment at least, to have worked. Next week, the first additional tranches of money from the IMF and the US will be disbursed, in line with the emergency announcement on Christmas Eve of extra financing, and banks have already begun rolling over their loans

But behind the facade of self-confidence, officials know the critical decision to add an extra $10bn from IMF, US, Japanese and other government resources and to engage the banks in a debt rescheduling exercise is a stunning policy reversal that could have significant implications for the way future financial crises are tackled.

It is not just that the decision represented an about-turn in judgment by the US and the IMF, although that was startling enough. Until just a few days before the decision, senior US officials were confidently stating Korea had no need of any extra funding and that neither the US nor the IMF had any intention of providing it.

More important, disbursement of the extra public money and engagement of commercial banks blows a large hole in a strategy carefully crafted by the US and the IMF that was intended to provide the blueprint for what US officials have confidently claimed as a "genuinely 21st century response to the first 21st century financial crisis".

Faced with a worsening crisis, the authorities abandoned carefully laid plans, critics say. "The fact is, the official sector looked a default by Korea in the face, and blinked," said Morris Goldstein, a senior economist with the Institute for International Economics, a private think-tank.

Basic elements of the US-IMF plan were drawn up in Manila in November, under the aegis of Lawrence Summers, US deputy treasury secretary. The idea was to avert demands from some Asian countries for a specifically Asian approach. The concern was that any framework that did not place the IMF – with tough conditions attached to its loans – at the centre of the response would quickly become an unconditional bail-out.

The approach then agreed placed the IMF at the forefront – IMF money backed by strong IMF programmes. The US and other leading industrialised countries agreed to provide extra funding only if IMF resources proved insufficient to restore confidence. But in the Korean case that plan has already fallen apart. The IMF has agreed to speed lending. Instead of phased-in loans over several months, tied to performance in implementing the programme, Seoul will get most of the money up front. And, long before the IMF has transferred all the money, the US, Japan, Germany and others will begin releasing their agreed parts of the package.

Furthermore, commercial banks have provided critical extra relief by agreeing to roll over loans and extend new credit to Korea, which they, too, had been reluctant to do.

US officials insist this represents only a small departure from the original plan. In announcing the change of heart, Robert Rubin, treasury secretary, emphasised that the extra funds would be closely tied to even more radical reforms by Seoul.

Critics say the latest intervention is a fundamental shift, claiming it amounts to a precedent that the authorities will eventually be forced to step in with a bail-out, whether or not there is compliance with an IMF programme. "They've made themselves a hostage to fortune," said Mr Goldstein. By their efforts to avert private-sector banking defaults at all costs the US and the IMF have in effect established a precedent that has underwritten debts of a troubled banking system – which the US said it would not do.

Other critics said commercial banks' involvement shows the official intervention was, all along, a failure, and that governments should have limited themselves to persuading international banks to do what was in their interests anyway – sit down with Korean debtors and work out a debt rescheduling programme.

Some banks involved in the co-ordinated efforts recently were heavily critical of the failure to try to organise a private sector plan earlier. One banker said official agencies did not share information on Korea's problems early enough, allowing a full-scale liquidity crisis to develop before action was taken.

"Two months and billions of dollars have been wasted trying to restore confidence through a public bailout," said Senator Lauch Faircloth, a fierce opponent of the IMF but an influential Republican. "The first order of business in dealing with an international financial crisis should be a common-sense approach of having the creditors and debtors work out their problems."

In their defence, the IMF and US claim the alternative to what they did would have been far worse than what happened. It may have required some intellectual gymnastics but the emergency change of plan worked. "If Korea had defaulted, or if commercial banks had failed to agree rescheduling, we would have been blamed – and rightly – for causing an international financial collapse," said one monetary official.

The US and the IMF however may be rather more circumspect in future about "blueprints" and "models" for dealing with other financial disasters.

"One thing you can say for certain," said Mr Goldstein. "The way this crisis has been handled will not be the way that future similar crises will be handled."

Gerard Baker

HK feels shock waves of 'bird flu' outbreak

By Louise Lucas in Hong Kong

Hong Kong yesterday began washing down farms and markets following the slaughter of 1.3m chickens and other fowl in an attempt to contain the spread of "bird flu".

The virus, Influenza A H5N1, has killed four people in Hong Kong. The first victim, a young boy, died in May and there have since been 10 confirmed cases and six suspected ones.

The Hong Kong government has been criticised by legislators for failing to address the problem sooner, while some countries are cautioning against travel to the territory and banning chicken imports, further hitting confidence.

Thailand on Wednesday advised its nationals not to travel to Hong Kong because of the virus, and concerns have been raised in Taiwan and Japan, two of Hong Kong's biggest markets for tourism.

In addition to the cull of local chickens, Hong Kong has extended its ban on imports from the mainland. China provides about 80 per cent of the territory's poultry – some 80,000 birds a day.

The ban, which began on Christmas Eve, was initially to last one week. Now officials say it may remain in force until the end of this month.

Other countries, including Gulf Arab states and South Africa, have also imposed bans on poultry from China.

The Hong Kong government has indicated that the virus probably emanated from China, although Beijing claims it has not encountered the H5N1 virus. Experts from the World Health Organisation are to visit China soon to conduct investigations.

In Hong Kong, chicken vendors are weighing up the costs of the cull.

The government faces a compensation bill of about HK$40m (US$5.2m), and municipal boards have already agreed to waive rentals on poultry stalls for three months.

Growth estimate reduced to 8.8% □ Fears grow of export slowdown

China voices its fears of Asian crisis

By James Harding

China is "extremely concerned" about the financial crisis in Asia, President Jiang Zemin said in his New Year message, demonstrating the alarm in Beijing caused by the regional turmoil and fears that further decline in Asian markets in 1998 would exacerbate the slowdown in Chinese economic growth.

The Chinese government this week issued another downward revision in its forecast for 1997 economic growth.

China's gross domestic product is expected to have grown at 8.8 per cent last year, the State Statistical Bureau (SSB) said, below official predictions of 10 per cent made earlier in 1997.

Mr Jiang said the Asian economic situation would improve with "relevant international co-operation," but he added: "The Chinese government is extremely concerned about the financial turmoil that has recently hit a number of countries and regions."

Privately, government officials say Beijing is worried that economic problems in South Korea and the collapse in confidence across the region could hamper Chinese exports and dampen foreign direct investment.

China's external sector has been one of the chief engines of economic growth in 1997 and the SSB said it expected China to report a $40bn trade surplus, compared with $12.3bn in 1996. Exports are expected to rise by 20 per cent to $180bn. Imports are likely to rise by 1 per cent to $140bn.

Ye Zhen, SSB spokesman, acknowledged that exports would feel the impact of Asia's financial turmoil and currency devaluations in rival manufacturing economies.

Foreign investment interest appears to be slowing. Actual direct investment was forecast up slightly at $43bn – compared with $42.3bn in 1996 – while contracted foreign investment fell by 28 per cent to $48.7bn for the first 10 months against the same period a year earlier. China expects GDP growth in the fourth quarter of 1997 to be 8.2 per cent compared with the same period in 1997, according to the SSB.

Mr Ye acknowledged that the 1997 figure was "a bit lower than originally predicted".

However, he added that 8.8 per cent was "still, by present world standards, a rather robust rate of growth and stands in clear contrast to the situation of south-east Asian countries facing financial crisis and slowing growth".

President Jiang Zemin: 'extremely concerned' over regional turmoil

Thai premier delivers grim forecast for year

By Ted Bardacke in Bangkok

Chuan Leekpai, Thai prime minister, has forecast a 0.7 per cent economic contraction this year, in a warning that prospects for the country remain gloomy.

His prediction, which followed a year-end meeting of top financial officials, did not surprise many analysts who are forecasting an even worse performance from the country, where devaluation triggered Asia's financial crisis.

The Industrial Finance Corporation of Thailand, a state-affiliated development bank, predicts the Thai economy will contract 5.6 per cent this year. When the International Monetary Fund drew up its $17.2bn rescue package for the country, it predicted the economy would grow 3.5 per cent in 1998. It recently revised that figure to zero growth for the year, Thai officials said.

"Almost all economic forecasts show the current economic problems will remain serious throughout the first half [of 1998]," Mr Chuan said. "The central bank has forecast serious problems... with the heaviest impact felt in the third quarter."

He said non-farm unemployment would rise to 1.85m people next year, against the existing 1.35m, and added that the faster the country could reform and recapitalise its financial system, the faster recovery would occur.

Such blunt assessments are becoming a pattern for the soft-spoken premier and his top officials, led by Tarrin Nimmanhaeminda, finance minister. Aides say the government is aiming to create enough confidence in its reforms for the IMF to relax some painful targets at the February review of its rescue programme.

Of particular concern is the IMF's call for a budget surplus of 1 per cent of gross domestic product. On Wednesday Mr Chuan reiterated his belief that, thanks to falling economic growth, the government was unlikely to generate the Bt870bn ($18.5bn) needed to post the surplus. The government has already slashed government spending by 18.5 per cent and although further cuts in ministers' salaries and allowances have generated positive publicity, their fiscal impact is negligible.

King Bhumibol Adulyadej echoed Mr Chuan's warnings and urged Thais to be patient.

In a New Year's message, he said: "There is no sign of economic recovery in the new year. I would like to urge Thai people to prepare yourselves to face possible tougher times – you must lead a life of austerity, be conscious, patient and work harder for the sake of the nation."

Standard & Poor's, the credit ratings agency, has cut its rating of Indonesia's foreign currency debt to junk status and warned of a further downgrade if the country failed to implement economic reforms, George Graham, Banking Editor, writes.

S&P lowered Indonesia's foreign currency rating from triple B minus – the lowest rating still considered to be "investment grade" – to double B plus. The local currency rating was lowered from A minus to triple B plus. Moody's reduced Indonesia to junk grade last week, placing the country alongside Korea in the category of debt rated as speculative by both leading rating agencies.

S&P said Indonesia's external liquidity position remained manageable, with gross international reserves of more than $20bn and sizeable official support available under the International Monetary Fund's stabilisation programme.

Mahathir warns Malaysians of more sacrifices

By Sheila McNulty in Kuala Lumpur

Malaysia's prime minister, Mahathir Mohamad, has warned that the country faces further sacrifices in 1998 in order to prevent the nation seeking help from international institutions which would leave the people "jobless" and suffering.

While neighbouring countries have turned to the IMF for help in restructuring their economies as the regional financial crisis has unfolded, Dr Mahathir has insisted that Malaysia would never request such assistance. He detailed in his New Year's message why he objected to such aid.

Dr Mahathir said foreign powers would impose conditions making the people worse off, force the government to increase taxes for an already impoverished population, force up interest rates and close down most banks and finance companies.

They would also insist that foreign conglomerates come in, take over local banks and companies and implement policies designed to optimise their profits. "We'll no longer be free. The people will be left jobless and to suffer," Dr Mahathir said.

"This is the choice that we have if we are not prepared to sacrifice a little."

Dr Mahathir insisted he was not trying to alarm the people, but added that those were the things that had happened to countries agreeing conditions for foreign loans.

Singapore's prime minister, Goh Chok Tong, also warned in his New Year's message that the regional financial troubles would affect Singapore, making 1998 a "more difficult year".

The government will revise its 1998 growth projection of between 5 and 7 per cent, which was made in November, when it issues the budget in February, he said. The Singaporean economy grew at 7.6 per cent in 1997. But Mr Goh noted that the projected slowdown in growth in neighboring countries in 1998 would be felt in Singapore.

"Trade with the region will fall. Banks will see less financial activities and make fewer loans to the region." And fewer tourists from neighbouring countries would visit Singapore, he added.

Legal objections may overturn victory by premier's candidate

Court test for Pakistan president

By Farhan Bokhari in Islamabad

Mohammad Rafiq Tarar was sworn in yesterday as Pakistan's new president a day after his election victory. Mr Tarar, backed by the ruling PML (Pakistan Muslim League), won 374 votes in a 476-vote electoral college made up of the two chambers of the national parliament and four provincial assemblies.

Mr Tarar, 68, a senate member and former Supreme Court judge, replaces Farooq Leghari, who resigned last month. His departure ended a constitutional crisis triggered by a battle between the prime minister, Nawaz Sharif, and the supreme court which created a rift between the prime minister and the president.

Mr Sharif yesterday described Mr Tarar's election as a good omen for Pakistan and said he was "confident that the occasion will take the country towards stability and progress".

Mr Sharif has been accused of concentrating political power in his home province of Punjab, ignoring expectations from ethnically diverse Pakistan's three other provinces seeking a share of power.

Mr Tarar is former chief justice of the Punjab high court.

Mr Tarar has been criticised by human rights activists for his views on women and minorities such as the Ahmadiya or Qadiani – a small faction whose members call themselves Moslems, but are officially proclaimed as heretics under Pakistani law.

After taking the oath as president yesterday, Mr Tarar denied the accusations and said he was "a broad-minded and liberal Moslem".

He said he would protect rights given to women by the Koran and the constitution of Pakistan.

In the weeks running up to the elections, Mr Tarar's candidature was blocked by Pakistan's election commission following allegations that he insulted judges in remarks published in a local newspaper.

He succeeded in getting the order temporarily overturned by the Punjab provincial high court but he faces another court hearing on January 12. Under Pakistani law, public figures who are found guilty of contempt can be disqualified from continuing in their jobs.

Benazir Bhutto, the opposition leader, criticised Mr Tarar this week. "We will have a president who is *sub judice*," she said. "Even if the high court rules in favour of Tarar, there will be a supreme court petition by us [challenging the verdict]."

President Bill Clinton has postponed a visit to India and Pakistan scheduled for February because of political turmoil in both countries, writes Amy Louise Kazmin in New Delhi.

A constitutional crisis has shaken Pakistan and India yesterday announced the dates for its second election in 18 months.

Mr Clinton indicated he would not visit in the run-up to the elections. US officials said he still planned a south Asia tour to include stops in India and Pakistan later this year.

India's Election Commission yesterday said voting would take place in four phases between mid-February and the first week of March.

Polling will commence on February 16, continue on February 22 and February 28, and conclude on March 7. Voters in Gujarat, Himachal Pradesh and three states in the north-east will also select new state assemblies.

Initial polls have suggested that the rightwing Bharatiya Janata Party is set to make new gains as the Congress party has suffered from a spate of defections.

Cold start for electric car sales in California

Quota rules may have to be reviewed, says Christopher Parkes

Vehicle makers are pressing California's clean-air regulators to revise rules on sales quotas for zero-emission vehicles following disappointing sales of electric cars.

Hybrid electric vehicles – powered by small conventional engines with supplementary battery packs – could also be included, Robert Stempel, former chairman of General Motors, said at the Los Angeles Auto Show.

Tentative approaches to the California Air Resources Board had convinced him the regulators were "looking for new ways to move", he said.

The lobbying reflects concern that the industry is unlikely to be able to conform with rules stipulating that 10 per cent of all cars marketed in the state in 2003 must be emission-free.

The moves blunt the state's ambition to lead the nation into a new motoring era, and present the air resources board, which has already given ground by modifying its plan for 2 per cent of all sales to be emission-free this year, with an acute political problem.

General Motors, which led the pack with the introduction a year ago of its battery-powered two-seater EV-1, and a sales target of 100 a month, has so far sold fewer than 300 units.

Although all the other big manufacturers have since entered the market with zero-emission battery cars, sales have been hampered by limited range and carrying capacity.

Financial data are closely guarded, but the cost of batteries – $50,000 a set for American Honda's EV Plus, for example – implies substantial losses on each vehicle put on the road. The $450 a month charged for the EV Plus includes insurance and roadside assistance service.

Mr Stempel, now chairman of a leading advanced battery company, Energy Conversion Devices, admitted that it would not be easy to modify regulations, and that the move to zero emissions would be slowed.

But allowing HEV cars to be included in the quotas would ensure a wider range of new technologies to be tested in California. As things stood, he suggested, the battery – the only available power source deemed free of emissions – had been pre-selected as the "winner" technology.

In an address to a conference on the environment, Mr Stempel said the transition to alternate power sources had started.

He singled out Toyota's hybrid Prius, recently introduced in Japan to an enthusiastic welcome with orders double that of the monthly production capacity of 1,000 cars.

With a small internal combustion engine and a hydride battery pack one sixteenth the size of that in Toyota's all-electric Rav-4, it covered 60 miles per gallon with 10 per cent of the emissions of a conventional car of the same size.

The Prius is expected to be launched in the US within the next two years.

Suggesting HEV sales would outstrip those of electric cars, which would be mainly used as commuter vehicles, he estimated both types could account for 10 per cent of the Californian market within seven years.

Toyota's petrol/electric Prius, set for a US launch in two years, covers 60 miles a gallon with 10 per cent of the emissions of a conventional car of the same size. Hybrid engine (inset) enables a switch to petrol after the car has picked up speed AP

Government to intervene in tax case which hinges on transatlantic treaty

Banks backed in $400m US claim

By George Graham in London

The UK government has thrown its weight behind an attempt by British banks to reclaim more than $400m of taxes they believe they have overpaid to the US Internal Revenue Service.

In the face of stiff opposition from the US, the UK has won permission to file an *amicus curiae* brief in a case brought by National Westminster Bank in the US Court of Federal Claims. NatWest is disputing more than $180m of back taxes and interest it was forced to pay in 1995, but several other British banks have smaller sums at stake.

Because the disputed tax payments date back as far as 1981, accumulated interest could increase substantially any refund the British banks might win.

The British government has intervened in US court cases before, but this is believed to be the first time it has filed an *amicus curiae* brief in a case in which the US federal government is a party.

The US government opposed the UK's request to be allowed to file the brief, but was overruled by the judge.

The UK government's views on the case are regarded as relevant because it hinges on the interpretation of the US-UK tax treaty, which both governments signed.

The NatWest case follows a landmark decision in 1996 by the US Tax Court in favour of North West Life, a Canadian life assurance company. The court ruled that the IRS had violated the US-Canadian tax treaty by using an arbitrary formula to calculate the company's taxable investment income, rather than what it actually earned.

That ruling affected an estimated $400m in tax refunds to other Canadian insurers that also operated in the US through branches, rather than separately incorporated subsidiaries. The UK tax treaty with the US is similar in many respects to the Canadian treaty, and NatWest's case also relates to branch operations. It differs, however, in that it involves the calculation of deductions, not income.

The British government is represented in the NatWest case by Jerome Libin of the law firm of Sutherland, Asbill & Brennan in Washington, who also represented North West Life in its suit. NatWest is represented by Davis Polk & Wardwell of New York and Shaw, Pittman, Potts & Trowbridge in Washington.

The issue potentially affects an even wider range of businesses operating in the US through branches. Banks are, however, the most directly affected.

Blair to lead EU computer bug effort

By David Wighton in London

Tony Blair, the UK prime minister, will today throw his weight behind efforts to combat the threat posed by the millennium computer "timebomb".

He will signal his determination to use the UK presidency of the European Union to highlight the need for action to avert serious economic and social problems which may be caused by the inability of older computer systems to cope with the date change at the turn of the century.

Mr Blair's office said ministers would raise the issue at all relevant EU council meetings, not just those devoted to information technology.

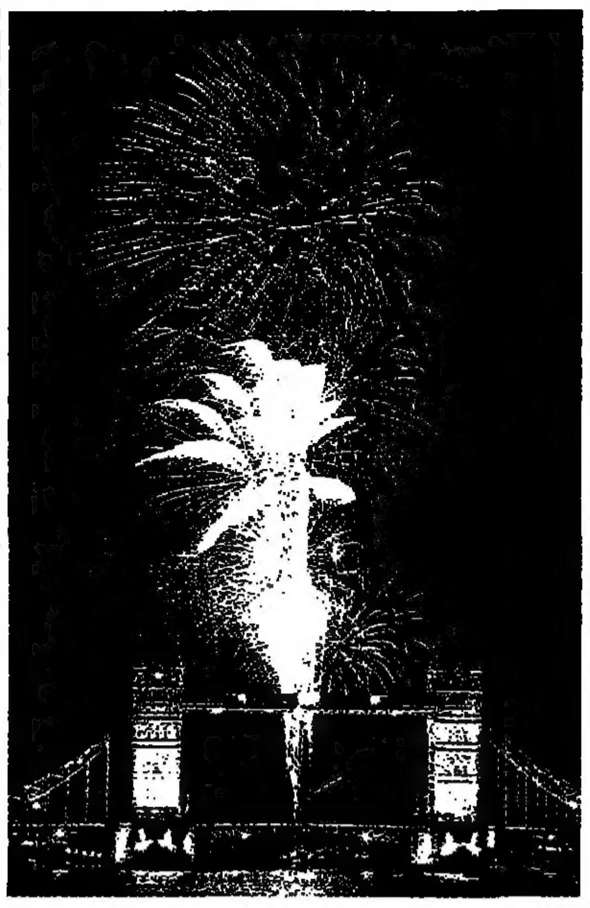
"The prime minister is determined that Britain prepares itself and leads the preparations in Europe during our presidency," said the prime minister's spokesman.

The prime minister's office said Mr Blair was shocked at the widespread ignorance of the problem. A recent survey found only 55 per cent of companies were aware of the threat. The prime minister's office said that while big business was tackling the issue, many small and medium-sized companies did not appreciate the scale of the threat.

"This is a problem which must be tackled now. The effects could be enormous if we don't take decisive action," said the spokesman. He pointed to recent analysis by Edward Yardeni, chief economist of Deutsche Morgan Grenfell, who warned there was a 40 per cent chance the date change could cause a worldwide economic slump as deep as the recession that followed the 1973 oil price rise

At the UK's request, the European Commission has agreed to hold an EU-wide seminar of millennium bomb experts within the next two months. Mr Blair has already held discussions with Wim Kok, the Dutch prime minister, and further talks are planned with other EU leaders.

Mr Blair's move will be welcomed by experts who have urged the prime minister to take a high profile role over the issue.



Reuters

Thousands of New Year revellers watched a firework spectacular at London's Tower Bridge, escaping the crowds at the traditional venue, Trafalgar Square, which saw about 80,000 gather to hear Big Ben chime midnight. Scotland staged the biggest UK "street party" with 200,000 people packed into central Edinburgh. Festivities turned sour in Brighton, on England's south coast, where police had to use shields and batons to break up an illegal "rave" event

Rebel pair apply to join Green grouping

By David Wighton in London

The two rebel Labour party MEPs [European parliament members] who have threatened to stand as independents were at the centre of renewed controversy yesterday after it emerged that they had applied to join the Green group in the European parliament

Ken Coates and Hugh Kerr have written to the president of the parliament informing him that they have been offered "honorary membership" of the Green group.

The move prompted further calls for the two left-wingers to resign from the Labour party. Celia Brooks, head of Mr Coates' local party, said it was "dishonourable" to be elected with a massive Labour majority and then defect.

The pair also faced criticism from UK MPs.

David Winnick, one of the Labour backbenchers who defied the party leadership by voting against a cut in lone parent benefits, said Mr Coates should resign or be expelled.

Premier painted painful picture of devaluation

30-year-old papers reveal 'bad tooth' message to US president

Harold Wilson: a prime minister under siege in 1967

The metaphor of a bad tooth being pulled was the way the Labour party prime minister Harold Wilson described his decision to devalue sterling on November 18 1967, in a personal message to Lyndon Johnson, the US president.

"Each of us, I suppose, must at times have suffered the misery of the abscess which breaks out, is temporarily healed, then breaks out again. Each of us has shrunk from having the tooth pulled out. But when we finally decide to do so, the feeling of relief is not simply an illusion. The removal of a certain poison from the system purges the whole system itself."

The message, published yesterday under the 30-year rule for the release of government documents, captures well the emotions the prime minister felt that weekend. Cabinet colleagues marvelled at his apparent light-heartedness, having just been defeated on the centrepiece of his economic policy.

Sterling's exchange rate peg had come under pressure several times since Labour took office in 1964. Labour got off to a bad start when it presented the financial markets with an expansionary first budget and proved reluctant to raise interest rates.

This prompted a run on the pound, stemmed only by heavy borrowing from overseas central banks. A year later Mr Wilson responded to a second run by cutting government investment – but the economy continued to grow too quickly. Following a third attack in July 1966, the cabinet discussed devaluation for the first time. But it opted instead for a big package of tax increases and spending cuts.

Confidence in the pound was restored for a while. But from May 1967, things got worse again. Overseas markets weakened, oil supplies were disrupted and a dock strike hindered exports. In addition, the government's desire to join the European Economic Community threatened to place a further burden on the balance of payments.

At a cabinet meeting in July, James Callaghan, the chancellor of the exchequer, urged colleagues to distance themselves from growing backbench pressure to devalue, for fear of alarming the markets.

That time arrived just four months later. Within days of the opening of parliament on October 31, the government had suffered two painful by-election defeats and the chancellor warned Mr Wilson that sterling was in serious trouble. The prime minister told a cabinet committee on November 8 that he now had an "open mind" on devaluation, while relying on hopes of an international rescue.

The next few days were spent trying to raise $3bn from industrial countries' governments and the International Monetary Fund. But a meeting with the IMF on November 13 opened "with recognition that the Fund, the US, the Europeans and ourselves had all now reached the view that since the chances of an adequate support were so slender we should urgently prepare for a change in the rate".

The formal decision to devalue was finally taken by the cabinet on Thursday November 16. The chancellor conceded that his recommendation "marked the end of the economic strategy which the government had been pursuing hitherto" and he was "prepared to draw the necessary conclusions as regards his personal position". The cabinet agreed to announce on Saturday evening that sterling would be devalued by 14.3 per cent, from $2.80 to $2.40.

In his message to President Johnson, Mr Wilson described the package of deflationary measures introduced by his government as "exceptionally ghoulish". But Sir Leslie O'Brien, the governor of the Bank of England, was not impressed. "I believe that measures with a total impact similar to that of the package now proposed would soon have proved necessary even if devaluation had been avoided", he wrote, following an ill-tempered meeting with the chancellor.

Several economists have argued that the Wilson government should have taken the initiative and devalued early in its term or at the latest during the spring of 1967.

In fact, devaluation was discussed, in April 1967, at a Sunday cabinet meeting at the prime minister's country residence. The cabinet had been considering a paper prepared by officials, which suggested that joining the EEC would place an extra burden on the balance of payments. The paper suggested that the economy was not competitive enough to take the strain of entry, without further painful deflationary measures.

Robert Chote

Cinema/Nigel Andrews

On love, death and conspiracy

THE WINGS OF THE DOVE
Iain Softley

STARSHIP TROOPERS
Paul Verhoeven

WRITTEN ON THE WIND
Douglas Sirk

Reading Henry James's *The Wings Of The Dove* is like wading through a mysterious treacle. Each sentence is so long, so mandarin, so viscous with nuance, sub-clause and *qualification that* at each full stop the reader, blurry with fatigue and wonder, discombobulated by shadings and counter-shadings, has to go back and start again. (And the style is *catching.*)

The film of *The Wings Of The Dove* has a fine solution. When in doubt, have a bonking scene. Get Kate Croy (Helena Bonham Carter) to take her kit off. Steer this scheming matchmaker whose mercantile soul has been shaped by her dependence on a rich aunt (Charlotte Rampling), into bed with callow fortune-hunter Merton Densher (Linus *Roache*); even though he, poor man, still pines for the beautiful, doomed American heiress (Alison Elliott) towards whom Kate had coaxed him.

But no. We do an injustice to director Iain Softley, here making a quantum advance on his Beatles biopic *Backbeat*. Even with a climactic sex scene, *The Wings Of The Dove* is hardly Henry James via Playboy. And though it shocks us with seeming modernism from scene one – a *journey* by *London* tube (which did exist in James's day) – it is also faithful to the book's richly layered, minatory irony. London is a money exchange warrened with streets and tunnels. Venice is a bewitching, opiate maze where love, death and conspiracy chase each other's tails.

No one in a Henry James story, of course, "chases tail" in the vulgar sense. But he gnomically implies that they might be healthier if they *did*. With *James*, *finding* life partners is a complex, compromised pastime, made up of self-interest and manipulativeness as much as love or lust. So it is apt, in the movie, that raw wrestling *is left to that last-gasp* union between the schemers. Even here, lit as if by Fuseli, they more resemble two breathing corpses in mating mode than two desire-warmed lovers.

Linus Roache's Merton and Alison Elliott's Milly Theale are a touch passive and shadowy, even for pawns in a designer romance. They merge into the Klimt-like compositions and are upstaged by Sandy Powell's stunning costumes. *This* ex-Derek Jarman designer flings her drapery at us for meaning as well as decoration. Threnodic autumn colours for the *dying Milly*; garish peacock blues for Kate, flaunting and flaring her seductive heraldry of deceit.

Alison Elliott as Milly and Helena Bonham Carter as Kate in the Henry James tale, 'The Wings of a Dove'

Kate is *also* the pick of the cast. Helena Bonham Carter used to be a one-note ingénue in British heritage cinema, radiating brusque prettiness from one E.M. Forster yarn to the next. *Here the slight oddity of her* beauty – a face too round, eyebrows too dark – is perfect for the role. Someone this brittle and haunted, this *darkly* and *unyieldingly* businesslike, *couldn't* love simply; though she might ache at the sight of others doing so even as she steers them towards it.

★

Starship Troopers is a film so mad it has a kind of genius. There is trouble on the distant planet of Klendathu. Can and should the Federal Service's Mobile Infantry, led by ex-training school hunk Johnny Rico (Casper Van Diem) with help from his Fleet Academy sweetheart Carmen Ibanez (Denise *Richards*), *nuke the giant* bugs?

These things look like 20ft grasshoppers after a night on the town. They impale, *dismember* and *when* possible eat their victims, and their *anti-social* conduct is not confined to humans on their own planet. They infect the universe via spore-carrying meteors. They also have *giant*, blobby, *pantomimic* motherbugs – Les Dawsons in space – whose sharpened uvulas drill holes in victims' skulls. "They've sucked his brains out," explains a shocked, helpful witness.

It is not exactly Henry James. Another American writer, Robert Heinlein, helped by the *ex-RoboCop* team of screenwriter Ed Neumeier and director Paul Verhoeven, engendered the scenes in which grenaded bugs *explode*, scattering flesh, bone and bodily fluids *all over the audience. Mean*while battlefields rejoice in a wall-to-wall carpet of diced human corpses, depicted with an anatomical detail so frank that it passes through shockingness into the scientific-surreal.

I enjoyed it more than I should have. Christmas gets you that way. Having suffered *Home Alone 3* and *Spiceworld The Movie*, it is satisfying to watch Judgment Day come early. Verhoeven, who made *Total Recall* and *Basic Instinct*, has an unerring eye for high-concept trash. He is like a comic-strip artist on illegal stimulants. The film bowls along from enormity to enormity, with no sense of dramatic development and no characters you couldn't find on the back of a cornflakes packet. But it exults in cinema's ability to splash us with shock, surprise and *trompe l'oeil*. After 100 years, this show-off medium can still make us gasp.

Director Douglas Sirk is a safer escort into the new year. This shaper of lush Hollywood melodramas lived and lensed in the 1950s, *when America was* in Technicolor and icons of bland angst *like Rock Hud*son, Robert Stack and Dorothy Malone could stand against the scenery for a Texas-set oil drama so Aeschylean that it makes *Dallas* seem like *Sesame Street*.

We refer to Sirk's best film, *Written On The Wind*, revived at the National Film Theatre. Treat yourself to the work of a man with a *painter's eye and poet's soul* who fell, without too many complaints, into the moneypots of Movieland.

Panto

When Jack met Macbeth

Macbeth - the Panto. **Why not? Men in skirts, definitely a wicked queen, the porter for light relief, and plenty of opportunities to play "look behind you" in the ghost scenes.**

Writers David Mitchell and Robert Webb have not quite the courage, or the skill, to see the idea through when plugging the seasonal void at the Pleasance in north London, so instead settle on *Macbeth and the Beanstalk*, enlivening the "Scottish play" with the juicy bits of *Jack and the Beanstalk*.

For some time the two plots run along parallel lines, but there has to be something for Jack, in the nicely truculent form of Lucy Taylor, to find when he-she climbs to the top of the beanstalk; and why not *Macbeth* as a suitably bloodthirsty Giant, quick to smell the blood of an Englishman?

The story lines then implode, and things take a turn for the better. For a start, Jack is pixie-sized compared with the warring Scots; even better, Mitchell and Webb have to use some imagination.

Until then this aimable show just cranks, or rather creaks, along. There is nothing wrong with the performances – *the cast act* their frocks off. But the script seems to be the work of a humourless computer that fails to parody the depths of panto or the heights of Shakespeare. When the children in the audience laugh loudest at the frequent expletives, something is missing.

Some of the running **gags are good – pretending that the quips of the porter, universally accepted as the least humorous character in drama, are side-splitters, *and the constant affronts* to a very butch Macbeth that his wife is "a man in a dress". And the six songs are really excellent. More music and less intellectual musings, posing as flights of fancy, would have lifted the spirits considerably.**

Macbeth and the Beanstalk **is an attractive curiosity. Apart from Daisy, a Eeyore-ish cow, there is little attempt to evoke the *magic of panto – too little* thigh slapping, no audience participation. The Macbeth *motif*, with lots of men dying the death in kilts as they wait for a good line, predominates.**

Webb and Mitchell **naturally grab the best parts. Webb is a nicely disdainful brute as Macbeth, Mitchell needs a role as Lady Macbeth. The rest of the cast give it their best *shot and almost make you* believe that you have enjoyed a *Christmas* treat.**

Antony Thorncroft

At the Pleasance, London N1 until January 17 (0171 609 1800).

Dance in 1998/**Clement Crisp**

Titles, talent and new creations

The ballet scene has a murky air – though one might ask when, during the past two decades, did it not seem "doom-eager" (Martha Graham's phrase *about the Brontës*). *Stumped* for funds, most of our national ballet troupes rely upon proven titles rather than proven talent – or even talent to prove. A public already conditioned by the *huge or the sensational* ("Male swans!") has learned that popular names are what matters, not creativity, and that titles are everything. I record with absolutely no sense of pleasure that there *will be three new stagings of Swan Lake* in Europe in the spring.

The Royal Ballet is embarked on its first *wanderjahr*: it will be seen at the Barbican in June, at the *Coliseum in July, and will* tour to Turin and Frankfurt. There will also be two concurrent Dance Bites tour (late February/March) with new works. The Birmingham Royal Ballet is alive, well, *and has planned its entire* year. David Bintley is, for the third year running, encouraging his dancers to create: a programme in the *spring will show aspirant* versions of *Carnival of the Animals* in tandem with *The Four Seasons*. *Towards the Millennium*, that sterling project in collaboration with the Birmingham Symphony *Orchestra*, *brings a triple bill* of Balanchine, MacMillan and van Manen works and, after a spring tour, a Birmingham season will pay tribute to Dame Ninette de Valois on her 100th birthday with a *revival of her* adorably sunny *The Prospect Before Us*. There follows a tour of South Africa, and in the autumn, the return of *Romeo and Juliet*, and a creation by Stanton Welch, *young Australian* choreographer. A rewarding, lively year.

English National Ballet will present – inevitably – *The Nutcracker* and *Sleeping Beauty* on a spring peregrination, *and* will then split for two three-week tours of interesting triple bills. Subsequent weeks are spent preparing for a *block-busting Romeo* at the Royal Albert Hall in mid-June. Northern Ballet Theatre's year brings continued three-year sponsorship from Halifax to "enable NBT to create new *full-length* ballets with the mass appeal and style of the hugely successful *Dracula*". Whatever one may think of the implications of "full-length" and "mass appeal", NBT will stage a *new Hunchback of Notre Dame* in February.

Scottish Ballet, celebrating 30 years of creativity, nagging debt and blow-hot-*blow-cold support, is in a* state of flux. If 1998 brings anything to our ballet, let it be an assured classic future for this gallant ensemble. Our modern and postmodern troupes will lead their usual eye-on-the-purse existence. For Arc Dance, Siobhan *Davies*, *Mark Baldwin*, Jonathan Burrows, Matthew Hawkins – who are among *the best dance-makers in* Europe – hopes that the year will be as financially rewarding as it is artistically fruitful. Rambert Dance can boast "Join Rambert and See The World", for the company *will make a tremendous* six-month tour, beginning in Hungary in January, and then, by way of Seoul and Mexico City returning to London. The company will also have the honour of *opening the rebuilt and* splendid Sadler's Wells Theatre in October. (Miss Baylis, in Heaven, is probably saying: "Now, you rotters, you must all turn up and support the new Wells").

Among visitors, I record with pleasure the return of Twyla Tharp in July to the Barbican and of Merce Cunningham to the same theatre in October. The Edinburgh festival will bring Pacific NorthWest Ballet from Seattle: the company has earned renown for its fine Balanchine stagings. Also in Edinburgh, in the *spring*, *Peter Schaufuss will* bring his new company in his Tchaikovsky trilogy.

In Europe much activity, though I am not always prepared to utter cries *of delight* at what *is on* offer. Cheers for the Royal Swedish Ballet, which will mark its 225th birthday with performances in Stockholm in June (5-13) featuring a very varied repertory. In *Paris*, the Opéra continues on its splendid way. A gala on February 10 will mark the 80th birthday of Yvette Chauviré, sublime ballerina, with a revival of *Giselle* (her greatest role) in the *beautiful Benois designs*. The summer brings three big ballets – *Manon*, *Don Quixote*, *Romeo* to delight the tourist trade.

In the regions, much to see. Roland Petit is *to make* a *new Swan Lake* for his Marseille company, concerned with the tragic effects of evil enchantments, and will invite four young *choreographers to create* for the company. The Ballet de Nancy, the Ballet de Nice will both also stage versions of *Swan Lake* – one day someone will make a ballet about the tragic effects of *Swan Lake's evil attraction* – and *Giselle* will enter the Toulouse Ballet's repertory in May.

The ever-enterprising Maison de la Danse in Lyon has a lively schedule of *modern work for* the year, and will bring Miami City Ballet in June with Balanchine's *Jewels*. This ballet will also enter the repertory of the Kirov Ballet, and the company's admirers *will also find an extended* season by the Kirov during the summer in Graz. In February, admirers of Darcey Bussell may see her in St Petersburg at the Marlinsky Theatre, appearing in *La Bayadère*.

In Brussels, Anne Teresa de Keersmaeker *will* participate in a Bartók evening, making dances to *the fourth string quartet and* producing *Duke Bluebeard's Castle*, in February/March. The Royal Ballet of Flanders tours extensively, and proposes an evening of new choreography in February. *Also in February*, the *Dutch* National Ballet will pay tribute to Hans van Manen with an evening of his choreographies, and the three Nederlands Dans Theater troupes will spend a *busy year, appearing at the* Holland Dance Festival in March, and at the Holland Festival in June, and will tour throughout Europe (NDT2 will visit Britain in June).

In Munich, Patrice Bart *is* to mount a new *Bayadère* (restoring the "lost" fourth act), and Germany's many ballet companies offer the usual round of creations and revivals. The Royal Danish *Ballet stages a new* work by Flemming Flindt, *Legs of Fire*, in February, and will then acquire a new work from Stanton Welch and Lifar's glorious *Suite en blanc*. The season ends in mid-May with *Napoli*: nothing could provide a *brighter or better or happier* note on which to end.

INTERNATIONAL
ARTS
GUIDE

■ BARCELONA

EXHIBITIONS
Fundació "la Caixa"
Tel: 34-3-207 7475
Rembrandt: The Human and the Natural Landscape. 91 etchings from the Rembrandt House Museum in Amsterdam. The *exhibition will transfer to Madrid*; to Jan 11

Fundació Joan Miró
Tel: 34-3-329 1908
www.bcn.fjmiro.es
Alexander Calder: centenary celebration of work by the maker *of mobiles. The show focuses on* his close relationship with Miró; to Feb 15

■ BERLIN

DANCE
Deutsche Oper
Tel: 49-30-34384-01
Deutsche Oper Ballet: Rosalinde, *choreographed by Ronald Hynd* to music by J. Strauss; Jan 6

OPERA
Deutsche Oper
Tel: 49-30-34384-01
Hänsel und Gretel: by *Humperdinck. Conducted by* Sebastian Lang-Lessing in a staging by Andreas Homoki; Jan 2

■ CHICAGO

EXHIBITIONS
Art Institute Of Chicago
Tel: 1-312-443 3600
www.artic.edu
Renoir's Portraits: Impressions of an Age. Around 65 paintings spanning the artist's career, of subjects including *Claude Monet* and Madame Renoir; to Jan 4

■ CLEVELAND

EXHIBITIONS
Cleveland Museum of Art
Tel: 1-216-421 7340
www.clemusart.com
When Silk Was Gold: Central Asian and Chinese Textiles. Featuring 64 precious textiles from the 8th to 15th centuries, when they were of immense economic and cultural significance, including the most *important known "cloth of gold"*. The exhibition will travel to New York; to Jan 4

■ EDINBURGH

EXHIBITIONS
National Gallery of Scotland
Tel: 44-131-624 6200
Turner Watercolours: bequeathed in 1900 by the Victorian collector Henry Vaughan, these 38 paintings have been exhibited *annually for more than 90 years*; to Jan 31

■ LONDON

CONCERTS
Barbican Hall
Tel: 44-171-638 8891
New Year Viennese Evenings: John Georgiadis conducts the London Symphony Orchestra in a *programme* including dances by the Strauss family; Jan 2

DANCE
Royal Festival Hall
Tel: 44-171-928 8800
● The Royal Ballet: programmes including *Les Patineurs, Tales of* Beatrix Potter and Peter and the Wolf; Jan 2, 3
● The Royal Ballet: Ashton's Cinderella; Jan 6, 7, 8

EXHIBITIONS
British Museum
Tel: 44-171-636 1555
Hogarth and His Times: Serious Comedy. Selection of prints and an exploration of different historical approaches to them; to *Jan 4*

Hayward Gallery
Tel: 44-171-261 0127
www.hayward-gallery.org.uk
Objects of Desire: The Modern Still Life. Exploring 20th century developments of a 400-year-old *genre, this show ranges from* Picasso and Matisse to Oldenburg and Warhol; previously seen in New York; to Jan 4

Tate Gallery
Tel: 44-171-887 8000
The Age of Rossetti, Burne-Jones and Watts: *Symbolism in Britain 1860-1910.* Works by British artists including the *pre-Raphaelites Rossetti and* Burne-Jones presented alongside those of European contemporaries; to Jan 4

OPERA
Shaftesbury Theatre
Tel: 44-171-379 5399
The Royal Opera: The Merry Widow, by Franz Lehár, in a *new* translation by Jeremy Sams. New production by Graham Vick, with designs by Richard Hudson; Jan 2, 3, 5, 6, 7, 8

■ LOS ANGELES

CONCERTS
Dorothy Chandler Pavilion
Tel: 1-213-365 3500
Los Angeles Philharmonic: conducted by Esa-Pekka Salonen in works by Haydn and Mahler. With mezzo-soprano Markella Hatziano and tenor Ben Heppner; Jan 8

■ MILAN

OPERA
Teatro alla Scala
Tel: 39-2-88791
Macbeth: by Verdi. Conducted by Philippe Auguin in a staging by Graham Vick, with designs by Maria Bjornson; *Jan 2*

■ NEW YORK

DANCE
New York City Ballet, New York State Theater
Tel: 1-212-870 5570
● George Balanchine's The Nutcracker; Jan 2, 3, 4
● Jewels: by Balanchine, to music by Fauré, Stravinsky and *Tchaikovsky; Jan 6*
● Mixed Programme: includes *Angelin Preljocaj's La* Stravaganza, premiered last spring, and Balanchine's Stars and Stripes; Jan 7

EXHIBITIONS
Brooklyn Museum of Art
Tel: 1-718-638 5000
Monet and the Mediterranean: "It is so beautiful here, so bright, so luminous! One swims in blue air; it is frightening!" wrote Monet *from Cap d'Antibes in 1888.* Bringing together more than 70 works, this exhibition presents the fruits of several journeys made by the painter: to the *Italian and French Rivieras in the* 1880s, to Venice in 1908; to Jan 4

Guggenheim Museum
Tel: 1-212-423 3500
www.guggenheim.org
Robert Rauschenberg: major *retrospective consisting of some* 400 works spanning the artist's 50 year career. The exhibition begins at the Solomon R. Guggenheim Museum and continues at the Guggenheim Museum SoHo; to Jan 7

Museum of Modern Art
Tel: 1-212-708 9480
www.moma.org
● Achille Castiglioni: Design! First US retrospective of the *Italian architect and designer; to* Jan 6
● Egon Schiele (1890-1918): The Leopold Collection, Vienna. Around 150 works by the Austrian Expressionist, dating from 1905 through 1918; to *Jan 4*

Pierpoint Morgan Library
Tel: 1-212-685 0008
● Medieval Bestseller: The Book of Hours. 100 prayerbooks; to Jan 4
● Romanticism to Realism – 19th Century German Drawings: *survey of 50 works from the* collection, including drawings by Caspar David Friedrich; to Jan 4

OPERA
Metropolitan Opera, Lincoln Center
Tel: 1-212-362 6000
www.metopera.org
Il Barbiere di Siviglia: by Rossini. *Revival of a staging by John* Cox; Jan 3, 8

■ PARIS

EXHIBITIONS
Musée d'Art Moderne de la Ville de Paris
Tel: 33-1-5367 4000
Gilbert & George: major retrospective of the British artists, comprising some 120 works and spanning their career; to Jan 4

Musée du Louvre
Tel: 33-1-4020 5151
www.louvre.fr
● A Mission to Persia 1897-1912: display of pictures, objects and photographs *retracing the archaeological* expedition led by Jacques de Morgan, paying tribute to his career and the mission's discoveries about the ancient civilizations of Iran; to Jan 5
● Etchings from the Low *Countries: display of 110 copper* etchings dating from the 15th and 16th centuries. Includes works by Lucas de Leyde and Dürer; to Jan 5

■ ROME

OPERA
Teatro dell' Opera
Tel: 39-6-481601
www.themix.it
La Fiamma: by Respighi. Production by Hugo De Ana, conducted by Gianluigi Gelmetti; Jan 2, 4, 7

■ TV AND RADIO

● WORLD SERVICE
BBC World Service radio for Europe can be received in western Europe on medium wave 648 kHZ (463m)

EUROPEAN CABLE AND SATELLITE BUSINESS TV
Monday to Friday, Central European Time:

● NBC Europe
10.00: *European Money Wheel*
Nonstop live coverage until 15.00 of European business and the financial markets.
17.30: *Financial Times Business Tonight*

● CNBC
08.30: *Squawk Box*
10.00: *European Money Wheel*
18.00: *Financial Times Business Tonight*

COMMENT & ANALYSIS

Economic forecasts • A sharp fall on Wall Street could trigger a US recession, while Asia's crisis should spark change

Pray for a soft landing

1998 The US faces slower growth, narrower profit margins, less inflation and lower interest rates in 1998. In ordinary times, the forecast might end there, but times are hardly ordinary. Financial crises may well be the most influential economic events of the year. How each of several complex situations in the financial sector unfolds will have a significant impact on US economic performance. The interdependence of these situations compounds the uncertainty.

US economic growth will slow because of a deteriorating *current account balance*, falling inventory investment, and consumers shifting from spending towards saving. Modest government fiscal drag is also likely. These unfavourable influences will outweigh and erode a strong momentum in business investment and an uptrend in residential construction.

The most obvious obstacle to growth will be a worsening current account balance as more income flows out of the US and less comes back. Financial upheaval along with slow growth or recession in *many countries in Asia, Latin America* and elsewhere will reduce US exports. These problems will compel many foreign producers to market their products more aggressively to Americans. Foreign economic ills will also sour assets held by US banks and other financial institutions.

The dollar's rise during 1997 will provide a further impetus to imports, while depressing both the price and sales volume of US exports. The dollar's ascent has also devalued US income on foreign investments. The *only notable good news for* US international transactions is the recent softening of oil prices.

Falling inventory investment will be another drag on the US economy, reducing both profits and gross domestic product. Few seem to notice that in 1997 inventories have grown at the fastest pace in well over a decade, matching the 1994 rate, which preceded an inventory correction and economic slowdown. To continue the stock-building pace of 1997 without inventories becoming excessive would require more than 5 per cent real final sales growth; even half of that pace will be hard to obtain in 1998.

Over-stocking problems will catch the financial markets by surprise because *book-value inventory measures*, which receive primary attention, have been distorted by deflation. Whereas *rising commodity prices* exaggerated inventory growth during every previous postwar build-up, the inventory price deflator fell 1 per cent during the latest three quarters, masking some of the real growth in stocks.

Another problem for the economy is the financial condition of the household sector. In four of the past five years, consumption has grown faster than personal income. Profit margins have widened as sales to consumers outpaced payroll expenses – business saving has risen as personal saving has fallen. This process may now be stretched to its limit.

The 1997 personal saving rate, approximately 3.8 per cent, is at a 50-year low. A consumer borrowing boom helped spending outpace income during the middle 1990s, but for the past year credit growth has been lethargic as households have struggled under the weight of record debt and debt service burdens. Families are carrying an unprecedented 85 cents of debt for every dollar of after-tax income.

Credit-card delinquency rates have been hovering near the all-time high reached at the end of 1996, *and personal bankruptcies* keep shattering records. A slowdown in personal incomes will worsen bad *debt problems. Lenders will* stiffen standards, inhibiting consumer spending.

Euphoria over stockmarket gains (the "wealth effect") has powered the consumption spree. But share prices have been eroded in the latest five months, and credit problems will rise as the economy slows. Therefore, some rise in the personal saving rate – at the expense of business saving – is probable. If the personal *saving rise* is sharp, the slowdown will probably become a recession.

A serious bear market – a sustained decline of more than 20 per cent – could cause a consumer retrenchment. Never in the postwar period have consumers been so influenced by the stock market. Consumers have been spending not only in response to portfolio gains, but also in anticipation of future gains.

Moreover, the stockmarket outlook is ominous. At the *summer's* highs, equity prices had multiplied tenfold in 15 years and doubled in about 30 months; neither had ever happened before. Third-quarter price-earnings ratios were at non-recession *highs (all-time highs on* some measures) despite the accounting magic that stretched the reported earnings of many companies to a degree not seen since the creation of the Securities *and Exchange Commission.*

Yet individual investors remain euphoric. In spite of the remarkably high stock valuations, a Harris poll last year found that 84 per cent of household investors believed that increases in equity prices during the next 10 years would match or exceed the more than 14 per cent average annual rise of the past decade. Even with rosy economic assumptions, this fantastically optimistic projection would imply price-earnings ratios rising to more than twice their all-time highs.

Speculative manias can continue against all apparent reason (irrational speculation by definition does not end at a rational point), and this one could conceivably survive. Nevertheless, the *market's* inability to rise since August and its turmoil in the fourth quarter strongly *suggest the end of the greatest bull market of* the century.

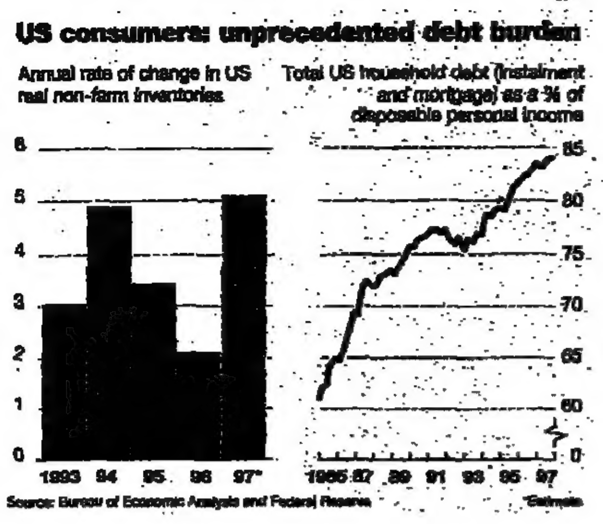
With luck, the troubles in Asia will be largely contained, Europe's economies will gain momentum, the US stock market will avoid big losses, and consumers will muddle through the year with only gradual deterioration in their finances. If so, the 1998 US economic slowdown will be hailed by many commentators as a "soft landing" (although it will *not seem so soft to businesses*).

On the other hand, international financial crises, a bear stock market, and an explosion of consumer credit problems could combine to cause a recession. Expect sluggishness, and be wary.

David Levy

The author is vice-chairman, director of forecasting at the Jerome Levy Economics Institute, New York

US consumers: unprecedented debt burden



Source: Bureau of Economic Analysis and Federal Reserve *Estimate

Difficult year ahead

1998 Seven years after it hit Japan, the reality of debt deflation came to the rest of Asia in 1997. The currency and stock market crises of the past six months will *prove a watershed for the* region, and indeed for the global economy.

They signal an end, for now, to the era of high growth. Asia faces a traumatic "deleveraging" process, the result of the accumulation of huge external and internal debt. The best comparison is not the Mexican devaluation of late 1994 but the Latin American sovereign debt crisis of the early 1980s – the difference being this is a crisis of private-sector debt.

Many Thai, Indonesian and Korean companies went into *de facto* defaults in 1997 on their dollar obligations. This year there will be more of the same. There will also be a growing focus on the exposure of those international banks, especially European ones, that have lent to Asia so aggressively in recent years.

So far, the pain has been felt primarily in financial markets. The follow-through in 1998 will be felt in the real economies, the banking systems and the property markets, the collateral of choice for Asia's *enfeebled credit system.*

In the real economy, growth in domestic demand will be close to zero. Investment spending will collapse as business reacts to excess production capacity and the end of cheap dollar funding. So private-sector capital formation will no longer lead economic growth. It has not done so in Japan since 1990.

Again like Japan, the rest of Asia will see no alternative but to try to export its way *out of the crisis.*

However, exports will be no easy panacea. First, the high level of corporate indebtedness (much of it dollar denominated) in many Asian countries will outweigh the benefits of devaluation. Second, Asian exporters will be affected by the lack of pricing power of many of the products they sell, including in the important electronics sector.

This is already clear from the divergent trend in rising export volumes but falling unit value prices, most spectacularly in Korea. This is why Asia can be said to be exporting deflation to the rest of the world.

Asia's domestic banking problems will also be commensurate with Japan's in recent years. This is in addition to the external debt burden. Non-performing loans will be running at more than \$500bn by the middle of next year, or about 20 per cent of total domestic loans. In China, Korea, Thailand and Indonesia, non-performing loans will soon be at least 30 per cent of total loans.

This year will see growing tension between the Asian desire to cover up non-performing loans and the financial markets' wish to see them owned up to and provided for. Asian governments will try to follow *Japanese ostrich-style policies* for as long as possible, as is clear from the disastrous policies pursued by the Thai authorities during the past year. Fortunately, the need for foreign capital, and the demands of the International Monetary Fund, will accelerate liquidation.

The desire to prevent liquidation will also be seen in the property market, where Japanese-style declines of between 70 per cent and 80 per cent *in dollar terms from* peak levels will ultimately prove inevitable.

Asian governments will reverse policy and abolish barriers on foreigners buying local banks and property. Some have already done so. Asian hotels will be filled with vulture-like western buyers, be they direct investors, portfolio investors or property specialists. Lawyers with knowledge of Asian bankruptcy laws, or the lack of them, will be in demand.

There will be growing recognition in Asia, at both the corporate and political levels, that the time has come for greater transparency. Opaque arrangements are no longer tolerated by foreign investors. The countries that understand this will attract investment.

This raises the critical issue of political leadership. Asia's political consensus *hinges on the maintenance* of growth. That is now under threat. With many long-ruling leaders aging, and with other countries run by weak coalition governments, politics will assume a higher profile than at any time in the past 30 years.

The hope must be that the crisis will produce the necessary response in terms of proactive leadership. If the first reaction to the economic crisis by many Asian *leaders has been denial*, the need to attract foreign capital will eventually force a more rational response. That transition may result in a change of generation in *political leadership* in several countries. Such a change would be welcomed by the financial markets.

It will be hard for 1998 to prove as disastrous for Asian stock markets as 1997. By the end of the first quarter, markets will begin to find some support as current accounts move into surplus and currencies stabilise. That will allow interest rates to start falling – albeit in the context of domestic recessions. North-east Asia will take longer to recover since the crisis hit there later.

There will be concern in 1998 that China may fall into a Japanese-style liquidity trap, in that it will be unable to adopt an easier monetary stance to revive activity. The dependence on external *demand to maintain* economic growth in China, given the deflationary backdrop there, will keep markets focused on the risks of a fall in the Chinese yuan, which would mark the next stage in the region's competitive devaluation cycle.

That will in turn keep pressure on the Hong Kong dollar. The territory's monetary authorities will maintain the peg to the US dollar, but that means asset prices will have to adjust downwards in the territory to a greater extent than the consensus expects.

Hong Kong property prices probably peaked last summer for a decade, if not a generation. That is not as crazy a prediction as it sounds. The same was true for Tokyo and Seoul property prices in 1990, and for Bangkok, Kuala Lumpur and Jakarta a year ago. The reason for the collapse in property values will be the same in all these cities. Credit contraction means wealth destruction.

Christopher Wood

The author is Asia and emerging-market strategist at Peregrine Securities and wrote The Bubble Economy: Japan's Economic Collapse

Forecasts for the German and UK economies will appear *in a future issue*

Asia: traumatic deleveraging process in store

	Real GDP*		Loan growth	
	1997	1998	1997	1998
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Hong Kong	5.9%	2.3%	7.6%	7.9%
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Korea	4.7%	-0.3%	10.0%	-3.0%
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Philippines	4.9%	3.6%	19.5%	17.2%
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Taiwan	6.6%	5.7%	6.3%	8.6%
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Source: Peregrine Research Institute *Estimates

LEGAL NOTICES

IN THE MATTER OF
LLOYDS SAWMILLS LIMITED
and
HARRY MASON AND SONS (STORAGE) LIMITED
and
LLOYDS SAWMILLS LIMITED
and
IN THE MATTER OF THE INSOLVENCY ACT AND RULES 1986

In accordance with Rule 4.106, I, D Lowe of Cooper Lancaster Brewers, 11 St Peter's Square, Manchester, M2 3DN give notice that on 22 December 1997 I was appointed Liquidator by resolutions of members.

Notice is hereby given that the creditors of the above named companies, which are being voluntarily wound up, are required, on or before the 30 January 1998 to send in their full christian and surnames, their addresses and descriptions, full particulars of their debts or claims and the names and addresses of their Solicitors (if any), to the liquidator of the said companies, and, if so required by notice in writing from the said Liquidator, are, *personally or by their Solicitors, to come in* and prove their debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution.

Note: This notice is purely formal. All creditors have been or will be paid in full.

Dated: 22 December 1997
Signed
D Lowe, Liquidator

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'), e-mail: letters.editor@ft.com *Published letters are also available on the FT web site, http://www.FT.com* Translation may be available for letters written in the main international languages.

Asia hit by sovereign rating domination

From Mr Alan Greene.

Sir, Your excellent leader "Over-rated agencies" (December 24) may unfortunately have been missed by many preparing for Christmas. Sovereign ratings are too high for several reasons. Sovereign analysts are usually economists, more at home in the company of the *establishment and the* media, and maybe forget that economies depend on ordinary citizens creating genuine wealth, and that not all markets either function like or are as liquid as Wall Street.

Seemingly, credit basics – such as cash is king – shall not trouble them when setting long-term ratings. Meanwhile, business pressures demand high sovereign ceilings, so that subsequent bank and corporate ratings are not "too low" in the eyes of the paying issuers, enabling the development of the ratings business.

Another consideration is that the actual level of rating assigned is pretty immaterial, as a sovereign default is normally a deferral of payment and investors do get *something back. Unlike* companies, sovereign assets cannot be recovered (unless you have an army).

Asian corporate ratings have moved relatively little because corporate analysis has far better groundings than sovereign analysis, as it is possible to make global comparisons on a range of operational data, as well as financial data, over a large population of entities. The countries with the worst problems – Thailand and Korea – are those that saw the largest pre-crisis gap between the sovereign rating and that of the leading non-state-related, private sector companies. However, there are few such corporates rated in Asia, and investors and banks have accordingly used sovereign and quasi-sovereign ratings to price *deals or set country* exposure limits. The "black art" tail of sovereign rating has wagged Asia's corporate dog with disastrous results.

Rating agencies may claim that their reputation with investors sustains them, but their prescribed role in capital market regulations is their sole foundation. Protection formulated for Uncle Sam's markets in 1931 makes no sense in this age of global information technology, and the *slow response for which* agencies are increasingly criticised is due to the markets' better use of information.

Furthermore, what is the relevance of default data accumulated in the US to foreign ratings of barely five years' standing, particularly as the dollar has not devalued by 50 per cent against *itself?*

If investors want objective, cost-effective credit analysis, they must pay again, directly, for ratings. Perhaps existing, subscription-based market information providers should generate ratings, rather than simply relay emissions from the incumbent agencies.

Alan Greene,
7500A Beach Road,
The Plaza,
Singapore 199591

Parties to corruption

From Aminu Dorayi.

Sir, The anti-corruption convention recently signed by OECD ministers ("OECD nations sign pact", December 18) is a welcome step in stemming the tide of corruption, especially in the third world. For several years the western world has lamented the ruinous effect of corruption, routinely condemning poor nations whose leaders loot the treasury and make honest business transactions *almost impossible* in most of the developing nations.

Behind this lamentation is a huge cloak of hypocrisy. Much as we condemn bribe takers, we should equally rebuke those companies and countries that peddle the vice, induce the thieves and show them how to launder the dirty money. It is hoped that this convention will be faithfully implemented by all the signatories. But how do we address those countries that readily act as the notorious and traditional bankers of the rogues?

Aminu Dorayi,
Abuja,
Nigeria

Turkish Cypriots deny their own rights

From Mr Pavlos Pavlides.

Sir, From Aziz Gulbahar's letter (December 22) in his capacity as chairman of the Council of Turkish Cypriot Associations (UK) there is a very positive message: his view that "the Turkish Cypriot community would benefit greatly from EU membership".

It is voices like his that will perhaps convince both Ankara and Rauf Denktash, the Turkish Cypriot leader, to change their hard stance on the Cyprus problem and EU membership. Mr Gulbahar is right to say that the Turkish Cypriots are not enjoying all the rights "bestowed upon them under the 1960 treaties". This is because they are being enclaved in a self-declared pseudo-state in the occupied part of Cyprus according to their leadership's choice, against the 1960 treaties which proclaim a united independent Republic of Cyprus.

The Greek Cypriots, on the other hand, have not only been denied "many of their rights" but the basic human *right of freedom of* movement in their own country; and literally under gun-point watch their properties being exploited by settlers imported from Turkey in order to change the demographic character of the island, and by fugitives from justice such as Asil Nadir, against international law (according to the recent ruling of the European Court of Justice in the *Titina Loizidou v Turkey* case).

Justice will be restored when all the people of Cyprus, regardless of their ethnic origin, can enjoy all the rights and benefits that EU membership can provide and guarantee; and these are no more than or different *from what every European* can enjoy.

Pavlos Pavlides,
president,
Democratic Cypriot Student Movement "Anagennisi" (London),
36 Spencer Avenue,
London N13 4TR, UK

Objective is to facilitate free trade

From Mr Peter Heller.

Sir, John Raven's letter (December 29) rightly suggests that the International Monetary Fund's recommendations on customs administration reform should *facilitate trade, and not intensify* protectionism.

They do. We never recommend, as Mr Raven implies, the routine opening of all imported containers, but rather limiting physical inspections to the minimum necessary, at most 10 per cent of shipments.

We urge that customs procedures be simplified, that selective checking be based on risk analysis, and that there be post-release control.

Thus, we aim to increase the efficiency of customs procedures, while facilitating free trade.

Peter Heller,
acting director,
fiscal affairs department,
International Monetary Fund,
Washington DC 20431, US

COMMENT & ANALYSIS

FINANCIAL TIMES
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Friday January 2 1998

1998 in the crystal ball

Typhoon in east Asia – North America and Europe feel barely a breeze. That, in a nutshell, is the official view of the financial crisis that has laid waste what was once the most dynamic part of the world economy. It is a comforting view. It is not implausible. But it is also not the only possibility.

Just before Christmas, the International Monetary Fund rushed out an interim World Economic Outlook, only three months after its last one. As it baldly admits, "IMF staff did not forecast the recent crises". That failure, almost universally shared, has done more than necessitate revisions; it has demonstrated that in turbulent times all forecasts are hugely uncertain.

Yet, in the staff's view, little change to the forecasts is required for the principal advanced economies, other than Japan. The US economy is now forecast to grow 2.4 per cent in 1998, marginally down from the 2.6 per cent forecast in the October WEO, but above the 2.2 per cent forecast in May. The European Union's economy is forecast to grow 2.7 per cent next year, little below the 2.8 per cent forecast in October and the 2.9 per cent in May.

Similarly, in its December Economic Outlook, the Organisation for Economic Co-operation and Development forecast US economic growth at 2.7 per cent and the EU's at 2.8 per cent next year. The OECD produced these cheerful forecasts even though the direct effect of the crisis was forecast to be a reduction of 0.7 per cent of US gross domestic product and 0.8 per cent of the EU's in 1998.

Strong momentum

How, then, is the adverse impact expected to be offset? A part of the answer lies in the unexpectedly strong momentum of the advanced economies, except Japan. Another part lies in the deflationary effect of the crisis. The monetary authorities of the US and EU will now be able – indeed required – to follow a relatively relaxed monetary policy. Given strengthening fiscal positions, the result will be low short- and long-term interest rates and strong growth in domestic demand.

Is the conclusion, then, that the storm has blown little harm and even some good to the advanced economies, except Japan and Korea? Maybe, but not certainly, is the answer.

What must give pause is this unexpected crisis itself. Between May and December the IMF has revised downward its forecast economic growth for 1998 by 1.8 percentage points for Japan, 3.8 percentage points for Korea, 5.4 percentage points for Indonesia and Malaysia, and 7 percentage points for Thailand.

Examine the causes

Forecasting the timing and scale of such events is impossible. But the causes must be examined. Between 1992 and 1996 net private capital flows to Asian developing countries jumped from $21bn to 101bn. Last year, forecasts the IMF, the flow fell to $34bn.

What caused the inflow was largely the search for better returns by investors made insensitive to risk and hungry for profit by the western bull market. As usual, mania ended in panic. So far, at least, this panic has been limited. But it could spread.

In most western markets equities remain expensive by historical standards. At present, the decline in long-term interest rates induced by a global flight to quality is supporting equity prices, despite worsening prospects for corporate earnings. The big question for 1998 is whether adverse events will persuade investors to reconsider some of the risks they are running at home.

A cheerful tale can still be told for North America and the EU. Perhaps it is the most likely one. But uncertainties are now huge. This crisis can spread, not just to other emerging economies, but more deeply in Japan; and it can break out in other advanced countries. The timing of such typhoons can never be predicted. But nobody looking at today's financial picture can be sure one will not strike, more centrally, in 1998.

This year's Basle models

The introduction by the Basle Committee of new standards for measuring banks' market risk is a significant step forward for banking supervision. The new standards mark the first time that supervisors have allowed banks to use their internal risk management models to calculate how much capital they need as a cushion, rather than applying a centrally determined formula.

Asia's currency turmoil has wrought merry havoc with the historical volatilities that form the basis for measuring market risk, but the stress testing of the past three months has not invalidated the benefits such models can bring.

The new rules, which came into effect yesterday, should enable banks with large trading operations to bring their regulatory capital into more accurate alignment with their own assessment of how much capital they need to cover trading risk – although EU banks will have to wait at least another year.

Supervisors cannot, however, abdicate regulatory responsibility. They should extend the privilege of using internal models only to the handful of banks that can demonstrate that they have the appropriate management sophistication and controls. They must also ensure that their own staff possess the necessary technical skills to evaluate the use of models by the banks in their charge.

Press ahead

The Basle Committee should not stop here. Supervisors must now press ahead to allow the application of similar mathematical techniques to credit risk, which represents by far the most important risk category for the banking system.

That is not to say that the original Basle capital adequacy ratio, which requires banks to hold capital equivalent to 8 per cent of their risk-weighted assets, has outlived its usefulness. The ratio, simplistic though it may be, provides a valuable international benchmark for capital adequacy. In countries where an 8 per cent capital adequacy ratio has proved insufficient, such as Japan, the fault lies not with the ratio itself, but with the failure of auditors and supervisors to insist that bad debts are written off promptly.

But use of a formula has begun to have perverse effects. The danger is not so much of undercapitalisation as that banks' incentive to innovate and improve their own risk management systems will be stifled.

Credit grades

With only five different risk categories, the Basle ratio does not allow enough differentiation between credit grades. A syndicated loan to a blue chip company is treated exactly the same as a retail customer's overdraft. More egregiously, loans to Korean banks are treated, by virtue of membership of the Organisation for Economic Co-operation and Development, as carrying one fifth of the risk of a US or UK corporate.

It would be going too far to blame the erosion of emerging market interest rate premiums, before the correction of the past three months, on the Basle ratios, but there is some evidence that by penalising better quality credits the rules have helped to drive banks into riskier categories of debt.

Moreover, the Basle rules take inadequate account of the reduction in risk produced by a well diversified loan portfolio or by relatively new instruments such as credit derivatives. Although credit risk models are still experimental, they have the potential to address all three of these deficiencies.

Credit risk models are still at a more experimental stage than market risk models. There may be no more than 30 banks today with the sophistication and discipline to construct and apply such models effectively. But those few that can pass that test should not be held back by Basle's 10-year-old credit risk rules from developing and using techniques that could greatly improve the safety of the international banking system.

Europe's telecommunications monopolies now face unfettered competition in all areas of their business, says **Alan Cane**

Ring in the new

The last of the barriers that have shielded Europe's monopolist telecommunications operators for more than a century were torn down yesterday. An era of tooth-and-claw competition should now replace one of cosy collaboration.

European Commission decisions have gradually cleared the way for unfettered competition in Europe's $200bn market. First, in the mid to late 1980s, it was the turn of telecoms equipment, data communications and mobile telephony. Since yesterday, the lucrative fixed-line voice business has also been prized open.

Only the UK, and to a lesser extent Sweden and Finland, had already liberalised their telecoms markets. The UK is the model for the changes the Commission wants to see implemented throughout Europe. In the UK, more than 50 licensed operators compete with British Telecommunications, the former monopoly operator, in a tightly regulated market that ensures equal – or even privileged – access for the new rivals.

The result, says Don Cruickshank, the UK regulator, is "an increasingly competitive market for telecommunications with a wide range of products and services flowing across a mosaic of interconnected networks".

That model will now serve the rest of Europe where operators will be free to challenge incumbents on their own soil. If they choose to do so, they can build their own networks and connections to customers. Foreign companies will also be able to take unlimited stakes in domestic operators, subject only to national security concerns.

This will provoke a struggle for market share of unprecedented savagery, reminiscent of that following the deregulation of the US airline business. "There are hungry wolves out there licking their lips at the prospects of the juicy morsels to be had when Europe is opened up and its soft underbelly exposed," says Alfred Mockett, managing director of BT's global business.

Until recently, many had doubted that such wide-ranging changes would ever be forced on an industry populated by overweight, inefficient – but hugely profitable – giants with no taste for competition. Now that liberalisation has been pushed through, the mood among the host of fledgling companies formed to exploit the opening of Europe's telecoms markets is optimistic. "This opportunity is real," says David Oertle, chief executive of Esprit Telecom, one of the fastest growing newcomers.

The beneficiaries will, in the short term, be telephone users. In the long term, Europe itself should profit as business benefits from cheaper operating costs and access to rapidly changing technology. A high-priced, inflexible Europe would also run the risk of being bypassed as a regional communications "hub", a routing point through which global operators direct telecoms traffic.

Business customers can expect to see the cost of long-distance and international calls fall sharply as competition bites. Charges for leasing lines from operators to create company-wide networks should also fall significantly. At present, monthly rental of a leased line between Paris and Rome costs about $67,000. In the US, which has had competition in long-distance telephony for more than a decade, the cost of a line between Chicago and New York, roughly the same distance, is only $6,000.

Residential customers will also benefit, although the effects are likely to be more gradual. The price of local calls could even rise, since monopoly operators have traditionally subsidised local calls and domestic line rentals from their long-distance and international businesses.

With the advent of full competition, they are already "rebalancing" their prices, raising domestic charges and cutting long-distance and international rates. This helps them retain business customers, but has already proved politically sensitive in Italy, France and Germany.

Such considerations notwithstanding, the Commission could not resist commercial pressures to liberalise. It has become acutely aware of Europe's vulnerability to the rapid technological and regulatory changes convulsing the $600bn global telecoms business. While individual governments profit handsomely from the tariffs that can be imposed by state-owned monopolists, business suffers the double burden of high call charges and lack of choice, quality and innovation.

The UK took the final step in liberalising its domestic market last year, allowing competition in international services with the aim of becoming a hub for international traffic and attracting up to £5bn ($8.25bn) in investment. More than 50 companies were awarded licences to compete with BT and Mercury (now part of Cable and Wireless Communications).

This model should now take hold across Europe where former monopoly operators, such as Deutsche Telekom and France Telecom, will face competition from a variety of sources:

- At a global level, European operators will compete with each other for the business of large international groups. None of them is sufficiently large or well positioned to compete alone, and all have consequently formed global alliances to defend their home markets and extend their reach overseas.

The oldest alliance, Unisource, is a joint venture between KPN of the Netherlands, SwissCom and Telia of Sweden. In 1996 it established a new joint venture, AT&T-Unisource, with the largest US long-distance operator.

Global One is a joint venture between Deutsche Telekom, France Telecom and Sprint of the US, while Concert Communications is jointly owned by BT and MCI of the US, with small stakes held by Telefónica of Spain and Portugal Telecom. (MCI has agreed to be acquired by WorldCom of the US and, on the conclusion of that deal, BT will buy back the MCI stake.)

- In their home markets, former monopolists will face new national operators and partnerships between local companies and overseas groups. In Germany, for example, Deutsche Telekom will take on O.tel.O, a partnership between the industrial groups Veba and RWE, as well as Viag Interkom, a 50:50 joint venture between the electricity utility Viag and BT. Mannesmann Arcor, a consortium including AT&T, Unisource, Deutsche Bank and Airtouch, the international mobile operator, makes up a third force.

France Telecom will have to contend with Cegetel, a joint venture between Générale des Eaux and BT, as well as 9 Telecom, established last month by Bouygues, the French construction group, Veba of Germany and Telecom Italia.

BT, profiting from its 13 years' experience of competition, has proved the fleetest of foot among European operators in establishing partnerships and joint ventures abroad.

- European companies will also have to fight off competition from new operators, often US-backed. Companies that have already joined battle in the UK include ACC Long Distance, Colt Communications, Esprit Telecom, WorldCom, RSL Communications and Teleport.

In spite of such heightened competition, the common view is that incumbents will yield market share only slowly. Typically, they might be expected to lose between 25 and 35 per cent of market share over 10 years. BT has lost just 30 per cent in 13 years, although open competition has existed only for five.

Incumbents retain most of the advantage. They own the only comprehensive, nationwide network, forcing competitors to pay fees to have their calls transmitted. This charge, the interconnection rate, is critical since it constitutes the greater part of a competing operator's overheads.

Interconnection rates are high and vary widely across Europe. The UK and Germany are the only countries to have set rates within the Commission's recommended limits. Ovum, the London-based consultancy, argues that generally high interconnection charges will prove a potent inhibitor to competition.

Challengers can always build their own network. Electricity distributors and railway operators are proving popular partners because of the instant infrastructure they provide. Energis in the UK, for example, built a national network at low cost by winding fibre optic cables around the lines of the National Grid.

But there are limits to how much new infrastructure can be built. Jeremy Boardman, telecoms specialist at N.M. Rothschild, the investment bank, believes there will be a rush to create new infrastructure, leading to overcapacity. "When prices collapse as a consequence, owning infrastructure will not seem so attractive."

Incumbents can also hamper or obstruct competitors by using methods that run counter to the spirit of fair competition, not to say ones that are downright illegal. Interconnection agreements, for example, can take several months to settle, while technical information and services are often withheld. Consumers can be discouraged from switching service provider if telephone numbers are not transferable between one operator and another. In France, Cegetel is complaining its fixed line service will start a month late because France Telecom has not provided adequate test facilities.

Liberalisation is all very well. But if free competition is truly to be created, it must be accompanied by strong regulation to ensure that all participants – including incumbents – play fair. While the rules for liberalisation are now common across Europe, those for regulation are not. This anomaly could threaten Europe's position in the emerging information society. The Commission made a bold start yesterday. Now it needs to finish the job.

· OBSERVER ·

Stockholm shuffle

■ The year-end management reshuffle at Investor, the main investment vehicle of Sweden's Wallenberg industrial empire, has shed little light on which member of the famous business family will emerge as anointed successor to 70-year-old patriarch Peter Wallenberg.

The credentials of Jacob Wallenberg, Peter's son, appear to have been enhanced by the decision to appoint him to Investor's management group. The position, which he officially took up yesterday, neatly augments his role as chairman of Skandinaviska Enskilda Banken, the Wallenberg financial flagship, and his board seat at Stora, the Investor-controlled paper group.

Pundits in Stockholm, however, point out that he faces strong competition from Marcus Wallenberg, his highly rated cousin, who was appointed in May as chief financial officer and deputy chief executive of Investor, as well as being vice-chairman of Saab Aerospace and a board member at Astra, the Swedish drugs group.

"Marcus is extremely talented, although he may be CFO for only a limited period so he can get some dirt under his fingernails," says one Investor insider. The "boys", as Peter Wallenberg calls the middle-aged cousins, find the speculation about who will emerge with the upper hand mildly distasteful. Jacob, the more gregarious, says he has plenty to do at SE-Banken following its recent merger with insurer Trygg-Hansa. Marcus is said to have his hands full with Investor's new investments and the restructuring of Saab.

Both are already board members at Investor, and neither appears hungry for the top job, which was handed by Wallenberg senior last year to Percy Barnevik, chairman of the Swiss-Swedish engineering group ABB.

"Barnevik is the group's best ambassador and they both know it," says one colleague. "There is no tussle going on." We shall see.

Diplomatic corps

■ Officials of the European Union, Nato and assorted foreign ministries will no doubt be relieved that they won't get any more hectoring lectures about their shortcomings from Vaclav Klaus, the caustically Eurosceptic ex-prime minister of the Czech Republic.

The new cabinet of Klaus's successor – soft-spoken and cautious former central bank governor Josef Tosovsky – is sworn in today and is stuffed with former diplomats.

The Francophile foreign minister Jaroslav Sedivy, recalled from the Brussels embassy, is joined by Karel Kuhnl, former ambassador to London, who becomes industry minister. Martin Stropnicky swaps the Rome embassy for the culture ministry while defence minister Michal Lobkowicz was once *chef de cabinet* at the foreign ministry. Interior minister Cyril Svoboda was once a deputy foreign minister in charge of EU affairs.

This should ensure that EU external affairs commissioner Hans van den Broek will not have to remind a Czech premier in public – as he did with Klaus – that it is the Czech Republic which is trying to join the EU, not the other way round.

Industrious Lévy

■ The French government says it has been trying to bring a new spirit of independence to the CDR, the state organisation charged with salvaging something from the legacy of mismanagement at Crédit Lyonnais, the bail-out of which is likely to cost the taxpayer more than FFr150bn ($25bn).

Dominique Strauss-Kahn, Socialist economics, finance and industry minister, has attacked "implicit or explicit" interference by previous centre-right ministers, and has made a number of changes. One of these was to appoint Raymond Lévy as the head of the CDR.

Much has been made of Lévy's track record in companies such as Elf, Renault and Lagardère. Curiously, *Who's Who* in France doesn't mention another of Lévy's former positions – as a member of the Crédit Lyonnais board through its period of heady expansion in 1986-93.

Blue Christmas

■ A departmental boss at one of Europe's largest banks deputed a junior to send out the team's seasonal greetings by e-mail. A colleague had just received a jolly e-mail showing an animated Santa Claus dancing on the mantlepiece, so this was duly dispatched to more than 100 colleagues around the world, including very senior managers.

It didn't take long for the responses to arrive. "How dare you send out this obscene drivel?" was about as calm as it got. All the junior could see were the words "Ho Ho Ho", but the recipients were hearing Santa curse Christmas with every imaginable epithet. The hapless sender will be scouring the January sales for a sound card for his PC.

The Financial Times

50 years ago

French Levy Bill
Paris, 1st Jan. The second reading of a Bill providing for a special levy or alternative compulsory loan had to be adjourned by the National Assembly last night until to-morrow morning owing to the adamant attitude of both Right and Left opposition parties, which mustered a slight majority against the amendments adopted by the Council of the Republic (Upper House). The efforts made by M. Mayer, Finance Minister, to overcome hostility towards these amendments, which largely restore the Government's original draft Bill, were unsuccessful as Deputies clearly had one eye towards their constituencies in view of possible general elections this year.

Bank Of America
Advertisement: "Now open to serve you in Tokyo . . . a new Bank of America branch. Bank of America is pleased to announce the opening of its new Branch in Tokyo, Japan. This Branch is fully prepared and equipped to provide all banking services now permitted in Japan. The new Tokyo Branch and the Manila and London Branches of Bank of America provide a direct banking service between the United States of America, Europe and important Far Eastern markets."

FINANCIAL TIMES
Friday January 2 1998

Redenominated banknotes in scarce supply

Russians see little of note in new rouble

By John Thornhill in Moscow

Russia greeted the new year with a new rouble – although it was all but impossible to find any redenominated banknotes in Moscow's deserted city centre yesterday as the nation nursed its collective hangover.

In an attempt to restore confidence in the domestic currency, signal the death of high inflation, and simplify financial transactions, the central bank lopped three zeros off the rouble from midnight on Wednesday and released new banknotes. But to ease the transition both the old and the new roubles will circulate in parallel throughout 1998.

The potentially confusing redenomination did not appear to be causing Ivan Popov too much trouble yesterday as he hawked a few bottles of beer on a ramshackle table in a snowstorm outside the Kuznetsky Most metro station.

"A bottle of my beer costs Rbs5,000 of old money or Rbs5 of new," he said, in spite of giving the impression that he had consumed more of his product than he had sold. "We're only swapping one piece of paper for another. I don't see what all the fuss is about."

The few shops and restaurants open in Moscow on Russia's most enthusiastically celebrated holiday were all complying with the central bank's dictate that they must signal prices in both the old and new style.

For example, the giant, green furry hippopotamus on sale in the Seventh Continent foodstore, next to the security service's dreaded headquarters on the Lubyanka, was advertised at a price of both Rbs1,228,000 and Rbs1,228.

But the cashier at the store's currency exchange said she had not yet seen the new notes and did not expect to receive any until January 5, when the banks re-opened after their prolonged winter break.

The central bank has already distributed the new banknotes to commercial banks in Russia's 88 regions, excluding Chechnya, and will steadily release more into circulation as it withdraws the 6.5bn old banknotes. But even automatic telling machines were still issuing old banknotes yesterday in spite of signalling transactions in the new denomination.

Suspicion of currency reforms runs deep in Russia as both the Tsarist and Soviet central banks periodically swindled the population out of their savings by tampering with the currency.

Several Russians yesterday said they had already noted a slight increase in prices ahead of the redenomination, although the financial authorities swear the monthly inflation rate was steady at less than 1 per cent in December.

But the manager of Fudzi San, one of Moscow's fashionable sushi bars, on Neglinnaya street, where the central bank has its headquarters, was an enthusiastic supporter of the redenomination as a means of simplifying business.

"We were dealing with silly figures," he said, pointing to the prices on his lavish menu. "You had to be a bookkeeper to understand how much a portion of fish cost. The young may have got used to it but it was all very difficult for the old."

Latest killing strains Ulster peace process

By John Murray Brown in County Tyrone

The Northern Ireland peace process was under renewed pressure last night as the Loyalist Volunteer Force, a small pro-British Protestant paramilitary group, claimed responsibility for the New Year's Eve murder of a Catholic at a north Belfast bar.

The banned group vowed to continue to avenge the death of Billy Wright, its leader, who was gunned down last weekend inside the top security Maze prison by republican inmates. Fears were increasing of further reprisal attacks for Mr Wright's murder.

As politicians and church leaders condemned the third paramilitary killing in a week, there was speculation that one of the larger pro-British loyalist groups that officially is maintaining its ceasefire may have co-operated with the two gunmen who fired at the Clifton Tavern, killing one man and injuring five others.

Billy Hutchinson of the Progressive Unionists, the political wing of the outlawed Ulster Volunteer Force, said he could not categorically rule out involvement by the UVF, the dominant paramilitary group in north Belfast.

"If it does turn out to be one of the mainstream organisations, the ailing [talks] process we have at the moment will be completely collapsed," he warned.

Mr Hutchinson said the LVF, founded by Mr Wright when he was expelled from the UVF, was unlikely to have enough support in north Belfast to have carried out the New Year's Eve attack. At Mr Wright's funeral on Tuesday the LVF pledged to "widen its theatre of operations".

Security officials believe it likely the latest murder may have been conducted with tacit UVF support. Any involvement by the UVF would increase the danger of a return to full-scale sectarian violence.

The New Year's Eve murder followed the killing of a Catholic doorman at a County Tyrone hotel, also in retaliation for Mr Wright's death.

The government faced additional difficulties last night as the UK Conservative opposition stepped up its criticism of the government's handling of the crisis.

On Tuesday, the UK government appointed Sir David Ramsbotham, inspector of prisons for England and Wales to investigate the Maze regime. Andrew Mackay, opposition Northern Ireland spokesman, called for an independent inquiry. "Anything less will not restore the public's confidence in the political process or the prison service and security arrangements in the province," he said.

The crisis coincides with unionist criticism of the government's concessions to keep republicans in the talks.

Robin Eames, the Church of Ireland primate, said: "The vast majority of people in the protestant community have absolutely nothing to do with sectarian violence. They shun it, they condemn it, they abhor it. But there is a very deep feeling of resentment at the moment, which worries me."

However, Sinn Féin, the IRA's political wing, accused protestant politicians of subverting the peace process. "The loyalists are doing what they always do when they are faced with having to do a deal with nationalists – they intimidate and terrorise and kill ordinary Catholics. But it won't work," said a Sinn Féin official.

Nationalists will be on their guard for further loyalist attacks today as football fans gather around bar and pub televisions to watch Glasgow Rangers Football Club take on rivals Celtic in what is seen in Belfast as a match between Protestant and Catholic teams.

Nike says 'I Can' as slogan just doesn't do it like it did

By Richard Tomkins in New York

One of the best-known catch-phrases in world advertising, Nike's "Just Do It", is to be wound down because the US sports shoe company has decided the slogan just doesn't do it like it did.

Ten years after its creation by US advertising agency Wieden & Kennedy, the phrase is being replaced by the softer, simpler "I Can", which was aired for the first time on US television yesterday.

The new slogan sits uncomfortably with Nike's own performance, which has fallen far short of shareholders' expectations. Two weeks ago it announced that net profits had slumped by 20 per cent in the quarter to November and warned of troubles to come.

Nike appears to be hoping the change will improve its image – and sales – by putting some distance between the company and its troubles of the last few months.

The "Just Do It" slogan was born in 1988 when, according to company lore, an advertising executive told Nike staff: "You Nike guys, you just do it." At the time, it suited the brash, rebellious image the company wanted to project.

More recently that image has backfired because of bad publicity over several ugly incidents, such as the boxer Mike Tyson's ear-biting and an assault by the basketball star Latrell Sprewell on his team's coach.

In December Philip Knight, Nike's chairman and chief executive, said the slowdown in orders for Nike shoes was due in part to an attitude of "sports negativism" caused by incidents such as these.

Nike has also run into bad publicity following allegations that workers suffered poor conditions in factories run by overseas subcontractors making Nike products.

This week Nike said that, although the "Just Do It" slogan would not entirely disappear, it would be largely replaced by the "I Can" theme, particularly in the US.

"At a time when cynicism in sports is at an all-time high, 'I Can' is an effort to return to a focus on the positive," said Bob Wood, Nike's vice president for US marketing.

The new commercials feature children and amateur athletes rather than ear-biting superstars, and end with the company's name instead of its trademark "swoosh".

But the swoosh is not about to disappear. It will still appear on posters and T-shirts: and whatever else might happen, it will continue to adorn those loyal Nike employees who have famously had it tattooed on their legs.

THE LEX COLUMN

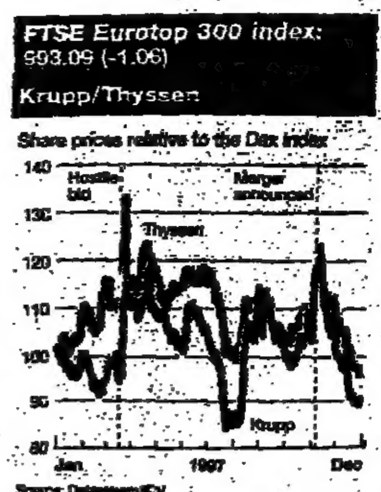
Laying down lines

Despite years of preparation, yesterday's opening of the European Union's telecommunications markets leaves much undone. Allowing full foreign ownership of national carriers and competition in fixed and mobile telephony, services and infrastructure is a good start. But a coherent regulatory framework is still at an early stage in many countries. Only with this in place can other constraints on competition, such as high interconnection rates and lack of number portability, be tackled in earnest.

For incumbent operators, the move from an era of monopoly to one of competition should mean greater focus on lowering costs and on striking the right balance in pricing different services. Cross-subsidies will be unsustainable. UK companies such as British Telecom, which have had longer to adjust their tariff structures to such competitive pressures, should be less vulnerable than cosseted continental monopolies. But all will find that maintaining high market shares involves paying often novel attention to perceptions of their brand and service. Maximising economies of scale with a broad range of products will also be essential. Competition from innovative companies such as Colt and WorldCom that cherry pick lucrative niches, as well as from established groups, such as Veba and Générale des Eaux, will inevitably lead to domestic price erosion. While this will be good for consumers and the single market, it will be painful for those companies that have become fat and bureaucratic.

FTSE Eurotop 300 index: 993.09 (-1.06)

Krupp/Thyssen



Source: Datastream/ICV

Krupp/Thyssen

If any deal symbolises the restructuring of German industry, it is the planned merger between Krupp and Thyssen. However, robust haggling over terms by managers with their eyes focused on the top job has fuelled speculation the deal may collapse. From their recent highs Krupp's shares have slumped 15 per cent and Thyssen's 11 per cent, while the European steel sector is down only 8 per cent since the merger announcement. This is probably overdone: both companies have clear interests in completing the deal.

Krupp's relative underperformance shows the smaller company needs the merger more. As strong recent results show, Thyssen's stand-alone future is bright: its stronger balance sheet should enable it to bolster its non-steel divisions. And with its market value dropping faster, Krupp's negotiating position over the exchange ratio is also weakening. On the basis of relative market values, Thyssen would now own around 65 per cent of the new company against a little over 60 per cent at the time of the announcement. Moreover, the concentration of Krupp's shares gives some cause for concern. Thyssen shareholders will need compensation for giving Krupp's two dominant shareholders – the Krupp Foundation and the Iranian government – a possibly decisive say over such important choices as capital increases. While the current wrangling may be unpleasant, the fact that the larger group is holding out for a 67:33 split is a real sign that shareholder value is being taken seriously.

Asian bargains

Fancy a Far Eastern safari? For those western companies who talk endlessly about their Asian ambitions, now would seem an ideal time to follow words with action. Asian assets are cheap, debt-laden local companies are anxious to raise cash by selling non-core activities and governments are being forced to open their markets to foreigners. To any multinational peeking just a little over the immediate horizon, the Far East must still look like a huge growth opportunity. Yet few seem to be capitalising on Asia's crisis.

To be fair, there has been a sprinkling of deals. Citicorp and Japan's Sanwa Bank are buying stakes in a couple of Thai banks. Merrill Lynch is planning to take over branches and staff from the collapsed Yamaichi Securities. Procter & Gamble has acquired Ssangyong Paper and Germany's Robert Bosch has taken control of its joint venture with Kia Motors, both Korean. But there have been moves in the opposite direction too. ING of the Netherlands has cancelled an investment in another Bangkok bank, while General Motors has cut the size of its new Thai factory. Most companies, including Coca-Cola, have talked about speeding up Asian expansion but so far done nothing.

The missing ingredient appears to be confidence on the part of western managements. If experience is anything to go by, most companies will wait until recovery is in sight and asset prices going up again before rushing in and paying more than if they took the plunge now.

UK biotechnology

For UK biotechnology stocks, the mood could not be more different going into 1998 than it was a year ago. Then investors were anticipating that drugs under development would leap important clinical and regulatory hurdles. Reality failed to oblige, and biotech shares underperformed the market by 50 per cent. The reversal of sentiment means that any negative news not only sends the individual company's shares down by more than appears warranted, but also the rest of the sector. Recent disappointing news from Biocompatibles and Scotia Holdings, for instance, even affected sector stalwart Chiroscience.

Neither end of the mood spectrum is as irrational as it appears. Nervousness is easy to understand when the companies typically have little by way of sales and are gobbling through cash. Optimism springs from the knowledge that success can lead to big profits. Meanwhile the valuation methods that normally underpin quoted companies are either irrelevant to loss-makers, or unreliable. Discounted cashflow, for instance, involves two huge variables: estimates of profits several years out, and a discount rate related to the probability that the drug will make it that far. The rate can vary between 15 and 40 per cent per year.

Volatility, in any case, needs to be seen in perspective: companies can take advantage of over exuberance for equity fundraising, while canny investors can exploit the lows to build their portfolios in classic high risk/high reward stocks.

FT WEATHER GUIDE

Europe today

Rain will move north and east across Scandinavia, turning to snow in the north and over the mountains. The Low Countries, Germany, Austria, Switzerland and France will have rain and showers, heavy at times.

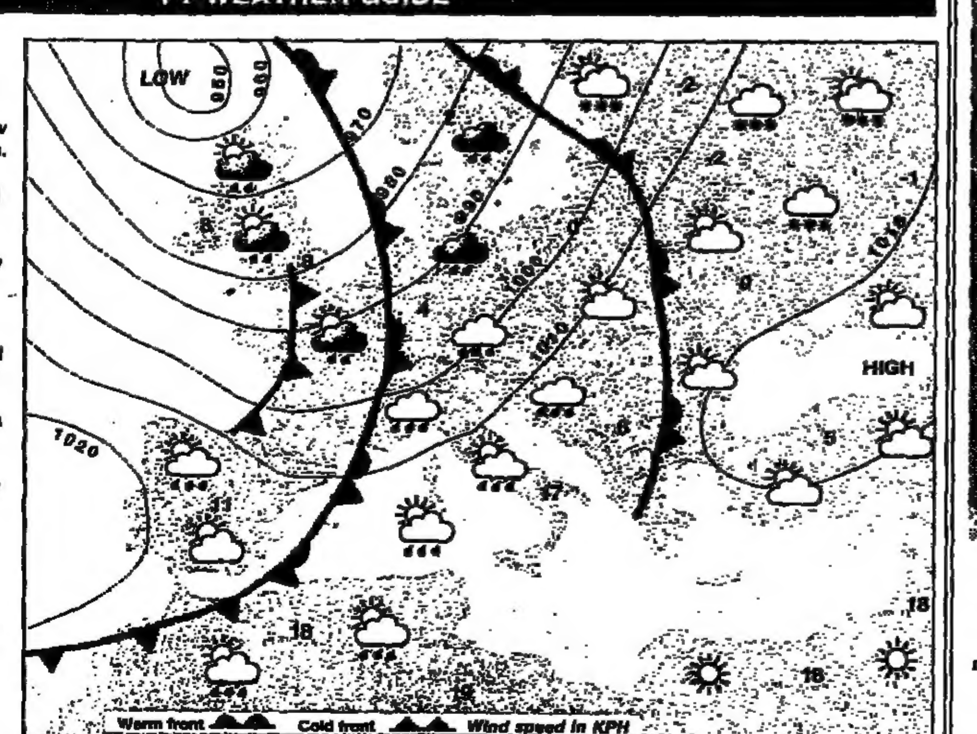
Spain and Portugal will be generally sunny in most parts, despite the odd shower.

The western and central Mediterranean may have occasional showers but the east will be mainly dry.

The Balkans will be mostly dry, with just the odd shower amid spells of sunshine. Eastern Europe will be generally cloudy with snow in many areas.

Five-day forecast

The weather will remain very changeable across Europe. Deep low pressure systems will sweep in from the Atlantic bringing rain and gales to many parts. Between the spells of rain it will turn cold and showery.



TODAY'S TEMPERATURES

Situation at midday. Temperatures maximum for day. Forecasts by PA WeatherCentre

	Maximum/ Celcius/										
Abu Dhabi	Fair 25	Beijing	Sun 3	Cardiff	Shower 9	Frankfurt	Shower 6	Madrid	Fair 11	Rangoon	Sun 33
Accra	Fair 33	Belfast	Shower 7	Casablanca	Fair 18	Geneva	Rain 6	Majorca	Fair 18	Reykjavik	Rain 8
Algiers	Fair 18	Belgrade	Cloudy 13	Chicago	Cloudy 7	Gibraltar	Fair 16	Malta	Fair 19	Rio	Thunder 28
Amsterdam	Shower 8	Berlin	Shower 6	Cologne	Shower 10	Glasgow	Rain 8	Manchester	Shower 9	Rome	Shower 16
Athens	Fair 16	Bermuda	Shower 21	Dakar	Fair 27	Hamburg	Rain 8	Manila	Fair 29	S. Frsco	Shower 14
Atlanta	Sun 14	Bogota	Fair 18	Dallas	Rain 21	Helsinki	Snow 0	Melbourne	Fair 22	Seoul	Shower 4
B. Aires	Fair 28	Bombay	Sun 31	Delhi	Sun 20	Hong Kong	Fair 22	Mexico City	Cloudy 24	Singapore	Thunder 31
B.ham	Shower 9	Brussels	Shower 7	Dubai	Fair 26	Honolulu	Fair 28	Miami	Fair 25	Stockholm	Rain 4
Bangkok	Fair 34	Budapest	Shower 7	Dublin	Shower 8	Istanbul	Sun 11	Milan	Rain 8	Strasbourg	Rain 8
Barcelona	Fair 17	C.hagen	Drzzl 4	Dubrovnik	Rain 15	Jakarta	Thunder 33	Montreal	Cloudy -2	Sydney	Fair 30
		Cairo	Fair 20	Edinburgh	Shower 9	Jersey	Rain 11	Moscow	Cloudy -2	Tangier	Fair 17
		Caracas	Fair 30	Faro	Drzzl 18	Johannesburg	Rain 19	Munich	Cloudy 7	Tel Aviv	Fair 18
						Karachi	Sun 27	Nairobi	Thunder 24	Tokyo	Fair 9
						Kuwait	Fair 17	Naples	Shower 17	Toronto	Cloudy 7
						L. Angeles	Shower 19	Nassau	Fair 24	Vancouver	Cloudy 2
						Las Palmas	Cloudy 22	New York	Sun 7	Venice	Rain 10
						Lima	Cloudy 29	Nice	Shower 14	Vienna	Cloudy 6
						Lisbon	Shower 18	Nicosia	Fair 16	Warsaw	Rain 3
						London	Shower 9	Oslo	Rain 2	Washington	Sun 9
						Lux.bourg	Rain 5	Paris	Shower 9	Wellington	Fair 20
						Lyon	Rain 12	Perth	Sun 30	Winnipeg	Cloudy -7
						Madeira	Fair 19	Prague	Cloudy 4	Zurich	Shower 6

FINANCIAL TIMES
COMPANIES & MARKETS
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INSIDE

Betting on a recovery in Asia

Recent falls in Asian stock markets have opened up striking anomalies in the pricing of closed-end investment funds. Since the final quarter, US-listed Asian funds have been trading at a premium to net asset value for the first time since 1995, suggesting US investors are betting Asian markets will rebound soon. Page 12

Renault plans to increase output

Renault, the French auto group, plans to defy rising competition and overcapacity in many large car markets and increase output by 500,000 vehicles a year in the next five years. The bulk of the rise, to 2.3m vehicles a year by 2002, will come from new car plants abroad. The increase will be accompanied by efforts, led by Carlos Ghosn (above), the ex-Michelin executive, to cut costs and improve competitiveness. Page 10

HK Telecom wraps up Pacific Link bid
Hongkong Telecom, the territory's dominant carrier, yesterday concluded its HK$4.83bn (US$623m) takeover of Hong Kong's fourth biggest mobile telephone operator, Pacific Link Communications. Page 10

Dow ends the year on a low note
A late afternoon sell-off left Wall Street slightly lower on Wednesday, with the Dow Jones Industrial Average ending the year 7.72 points down at 7,908.25. In Europe, Milan ended 1997 on a high, closing 73 points up at 16,806. Page 24

El Niño plays havoc with commodities
Trading in soft commodities such as sugar and coffee in 1997 was dominated by an event that will probably overshadow the first half of 1998 – the El Niño weather phenomenon. El Niño – an abnormal warming of the eastern Pacific Ocean, which can create havoc in the global climate – played tricks with commodity prices. Page 14

Companies in this issue

Market Statistics http://www.FT.com

CROSSWORD, Page 14

Chief price changes Wednesday

NEW YORK ($)				**PARIS (FFr)**			
Rises				**Rises**			
Bell-Galp	35¾	+	3¼	Air Liquide	942	+	14
Oregon Steel	21⅛	+	2⅞	CSP	2160	+	135
Tupscope	24¼	+	2½	Labinal	1548	+	48
Falls				Un Immob	437	+	31
Fried BR	17⅞	–	1⅛	Valeo	408.2	+	11.8
Paragon Trade	12⅝	–	7½	**Falls**			
Russell Corp	26⅝	–	1⅜	Groupe GTM	405	–	31
LONDON (Pence)				**HONG KONG (HK$)**			
Rises				**Rises**			
East Retail	305	+	45	CDL Hotels	2.35	+	0.10
Ind Energy	145	+	15½	Cathay Pac	6.3	+	0.3
PSD	502½	+	24	Guoco	18.95	+	0.49
Q Group	90	+	7½	**Falls**			
Skills Group	182½	+	13	Beijing Ent	19.9	–	0.8
Falls				First Pac	3.75	–	0.1
Tradepoint	51½	–	18	Henderson Inv	8.10	–	0.15
TORONTO (C$)				**BANGKOK (Baht)**			
Rises				**Rises**			
Eurtec Res	14.9	+	2.9	Charoen	57	+	13
Paramount Res	16.0	+	1.5	Interlife	57.50	+	13.25
Zaro Inds	8.65	+	1.0	Sioungpack	80	+	15
Falls				**Falls**			
Dissolved	3.3	–	0.48	Siam Steel	10.25	–	4.25
Spectrum Sig	7.5	–	0.5	Thai Vegetable	20	–	5
Sudbury Cont	5.0	–	1.0	Thaisteam	42.75	–	18.25

Frankfurt and Tokyo closed.

Computer group sticks with profit forecast despite losses at chip-making affiliate

Falling Taiwan dollar helps Acer

By Laura Tyson in Taipei

Acer, the Taiwanese computer concern, said the falling Taiwanese dollar would buoy earnings for 1997 despite steep losses at TI-Acer, its memory chip-making joint venture with Texas Instruments of the US.

TI-Acer this week slashed its 1997 results forecast following a slump in world memory chip prices.

It said it expected to report a net loss in 1997 of T$4.6bn ($141m), far below its October projection of a T$1.87bn net loss.

The company cut its 1997 sales target to T$11bn from T$12.4bn.

TI-Acer blamed the cuts on a global oversupply of dynamic random access memory chips, or DRAM, and the financial turmoil that has rocked Asia, and especially South Korea – a DRAM powerhouse and Taiwan's main export competitor. But the parent company stood by its earlier 1997 net profit target of T$4bn on expected sales of T$77.7bn. "Although our affiliate TI-Acer has further cut its forecast, Acer sees no need to revise downward its profit projection as the Taiwan dollar's depreciation has contributed a significant income to cover TI-Acer's exacerbating losses," Acer said.

Supply continues to outstrip demand in the DRAM market and memory chip prices tumbled in the fourth quarter of 1997 owing to the financial crisis, TI-Acer said.

South Korea gained an enormous export advantage as its currency lost nearly half its value against the US dollar since mid-year, far more than the Taiwan dollar.

TI-Acer said South Korean DRAM makers had been able to dump their products on the market at prices far below market value, with unconfirmed reports of chips cheaper than $2.

"Due to the collapse in South Korea's economy, some (Korean) firms have dumped DRAMs in exchange for US dollars. There were rumours that the DRAM was sold at below $2," TI-Acer said.

Acer expected 1998 profits to rise more than 30 per cent year-on-year, with sales up 20 per cent, said Philip Peng, Acer vice-president.

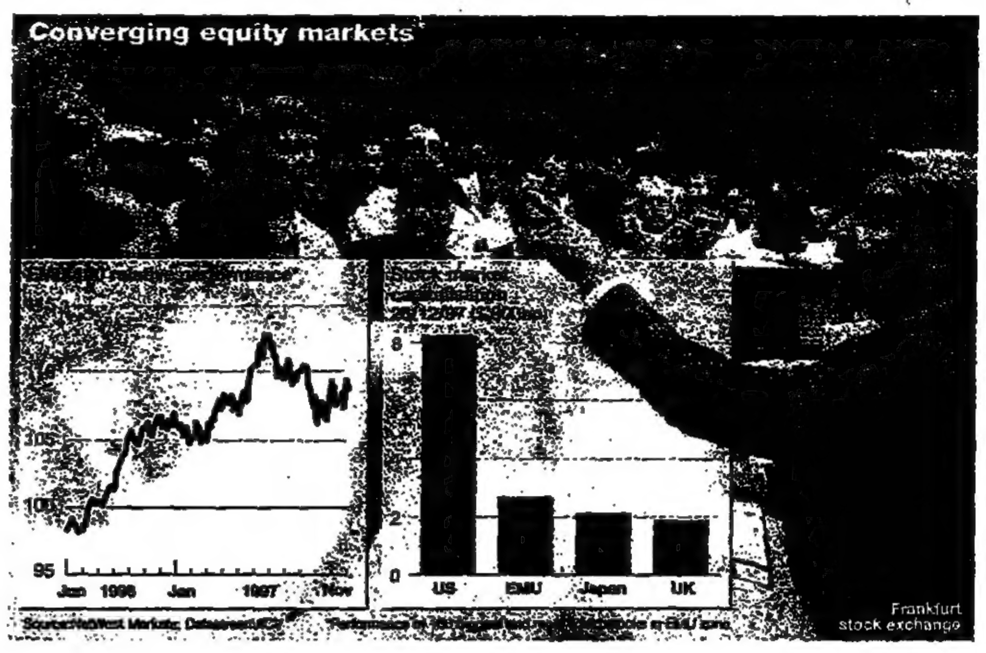
Output of both motherboards and notebook computers was expected to grow in 1998 on large orders under the company's global logistics arrangement with International Business Machines, the US group.

Acer expected to start delivering notebook computers in line with an order from a large Japanese client for 150,000-200,000 units this year, starting in the first quarter, Mr Peng said.

Acer's motherboard output in 1998 was expected to increase to 9m units from 6.5m this year, while output of notebook computers would rise to 1m units from up to 800,000 units.

Big investors ready to enter the euro-zone

Quiet revolution is under way in the equity markets of Europe



With just six months to go before up to 11 European countries fix exchange rates in the final stage before full monetary union, a quiet revolution is under way in the continent's equity markets.

Large European institutions, historically constrained in their choice of investments by the need to be primarily invested in their domestic currencies, are looking at opportunities on a pan-European, rather than national, basis.

"The distinction between countries like France and Germany is disappearing," says Stéphane Hild, head of Société Générale Investment Management. "It is increasingly illogical for fund managers to have a French and German weighting. What you will have is a euro-zone weighting."

Monetary union represents a profound change for European investors. Although the euro-zone will account for only 46 per cent of total European stock market capitalisation, assuming the widest first wave participation in Emu, it will still dwarf most of the world's other markets, other than the US, Japan and the UK.

With the imminent abolition of currency risk, hitherto the biggest disincentive to cross-border equity investment, fund managers are beginning to view this block as a single entity. Mr Hild says his company has downgraded the importance of country analysis when deciding on asset allocation. Among bigger stocks, it increasingly compares, say, a French insurance company on a par with its German and Italian peers.

Others are following suit. A Merrill Lynch survey last November found 73 per cent of managers thought Emu would cause them to switch from a country to a sectoral approach. Deutsche Investment, the giant asset management subsidiary of Germany's Deutsche Bank, has told investment banks it intends to do so from this year.

European pension funds are also changing tack. The $336bn Dutch pension fund sector has become a major net buyer of non-domestic European equities since the lifting of restrictions on equity and foreign investment at the end of 1996.

"There is a rising perception that in the euro-zone it will be necessary for pension funds to match euro-denominated liabilities with the best performing euro-assets," says François Langlade-Demoyen, European strategist at CSFB.

How investors will reshape their portfolios will be dictated partly by the pan-European indices that are expected to overshadow national indices as a performance benchmark.

Last year a new family of European indices was launched by the Amsterdam stock exchange and FTSE International, owned by the Financial Times and the London Stock Exchange. Last month Dow Jones of the US and the German, French and Swiss bourses announced plans to launch a competing product, including an index of 50 blue-chip euro-zone stocks.

Nonetheless, this is still change within limits. No-one disputes that country factors remain important, even within the single currency zone. While currency rates will be fixed in May, interest and inflation rates have yet to converge fully across Europe.

John Betteridge, director of strategy at Prudential Portfolio Managers, believes the strong bias towards domestic investment will continue because investors find it easier to track local markets.

Consequently, "pan Europeanism" is expected to be confined to the largest stocks, leading to a European "nifty fifty" of giant companies. Some argue selection is already under way. "To some extent, a nifty fifty already exists," says Ian Scott, European strategist at Lehman Brothers. NatWest Markets recently constructed an "Emu 100" index to track the performance of the biggest and most liquid stocks in the single currency zone. Since the third quarter of 1996, this index has outperformed smaller capitalised stocks, only faltering in the last quarter of 1997 when the Asian crisis hit.

European integration is not the only factor explaining the underperformance of smaller stocks, but Nizam Hamid at NatWest thinks it is a significant one: "Smaller and medium-sized stocks, particularly stocks at the tail of national indices like the CAC-40 in France or the German DAX, are going to suffer under Emu because they are peripheral to big investors."

Mr Hild believes 1998 will see European fund managers begin rebalancing equity portfolios away from their local bias. This could be bad news for smaller European markets.

But it will be a slow process and could throw up some surprises. Mr Betteridge argues that while the single currency will allow greater cross-border equity investment, the need to diversify risk by investing in other currencies will remain.

"Because so much of their portfolios will be in one currency zone, European fund managers could find themselves having to buy more equities in markets such as the UK, US and Japan," he says.

Jonathan Ford

Gan agrees to sell its UK arm for $495m

By Andrew Taylor in London

Life Assurance Holding Corporation, a UK-based fund established to purchase troubled insurance businesses, has agreed to buy the UK arm of Gan, the state-owned French insurer, in a deal worth about £300m ($495m).

The purchase should clear the way for the privatisation of the French parent company. Gan has been ordered by the European Union to sell half of its overseas assets as a condition for receiving FFr20bn ($3.35bn) in aid from the French government to rescue it from heavy property investment losses.

Gan said that following the sale to LAHC it would have achieved about three-quarters of its disposal target.

LAHC has agreed to pay £253.5m plus up to £46m in deferred payments for Gan's 94.9 per cent stake in its UK subsidiary. Minority shareholders in the life company will be offered an equivalent 285.5p a share. The UK subsidiary will also repay £30m of intra-group debt to Gan which is not included in the purchase price.

LAHC intends to raise most of the price from debt and from shareholders. St James Place Capital and New York Life Insurance each own 31.25 per cent of LAHC and Prudential of the UK owns 10 per cent.

The fund faced competition from several large international insurance groups including Lincoln of the US.

The deal was the latest in a series of mergers involving large European insurers. Zurich of Switzerland and UK-based BAT Industries last week agreed to create a financial services business valued at £24bn. A day earlier the board of Italy's Assicurazoni Generali endorsed a deal giving Allianz, Germany's largest insurer, control over Assurances Generales de France.

Generali is to buy AMB, the German insurer, for DM210 ($117.90) a share as well as two other French insurers.

The French government meanwhile has launched the trade sale of Gan's French insurance operations following previous privatisations of UAP and AGF.

Candidates to purchase the Gan business include Swiss Life, Eureko, ING and Fortis, as well as the French mutuals Azur-GMF and Groupama.

Global investment returns up 13% despite Asian crisis

By Peter John in London

Mexico, Switzerland, Italy and the US ended 1997 as the best performing of the world's larger equity markets in dollar terms.

A strong performance by many European and American markets meant that the FT/S&P World index, a benchmark for global investment returns, rose 13.2 per cent overall in 1997 – in spite of the crisis that sent Asian markets into steep decline.

Its European component ended the year up 21 per cent, with the Americas gaining 30.4 per cent and the Pacific Basin falling 29 per cent.

On Wednesday, the last trading day of 1997, most European bourses made advances in thin trading, with Milan reaching a new peak, while a late afternoon sell-off in New York left the Dow Jones slightly lower. Only a handful of markets were open yesterday, but among them Bombay and Delhi closed up.

Mexico was the 1997 top performer in the FT/S&P indices, rising 47.8 per cent in dollar terms, while Switzerland advanced 42.9 per cent. Italy 40.9 per cent and the US 31.3 per cent.

In the US, the Dow Jones Industrial Average ended up 22.6 per cent while the broader S&P 500 gained 31 per cent, as corporate earnings continued to move ahead and the economy enjoyed strong growth with low inflation.

In the UK, the FTSE 100 index rose 25 per cent on the year, in spite of the harsh effect on corporate earnings of a strong pound, higher interest rates and worries about a change of government.

Asian markets recorded the largest falls in the FT/S&P World indices. Thailand dropped 80 per cent in dollar terms, Malaysia 73 per cent and Indonesia 71 per cent.

In South Korea, which is not a constituent of the indices, the local currency Composite index fell 42 per cent.

But some of the year's strongest investment returns were recorded by some of the smaller markets. Russia's RTS index surged 105 per cent, while Turkey's 100 index was up by more than 250 per cent.

Year-end market statistics

NationsBank to cut 6,000 jobs

By John Authers in New York

NationsBank, the third largest US bank, announced on New Year's Eve it would be cutting about 6,000 jobs in Florida following its $15.5bn acquisition of Barnett Banks, the largest in the state.

The cuts are equivalent to about 27 per cent of Barnett's workforce. It was the first clear estimate on the number of job losses from NationsBank since the Barnett takeover was announced in August.

Hugh McColl, NationsBank's chief executive, had predicted the merger could create annual cost savings of $915m, or 55 per cent of Barnett's expense base, in two years.

Analysts had projected this figure could be reached only by closing many branches – easily done as the Barnett and NationsBank branch networks overlap closely in the state – and through job cuts.

NationsBank – aiming to become the nation's first coast-to-coast retail bank – is obliged under local competition regulations to dispose of some of its branches so its share of the state's total deposit market does not exceed 30 per cent. Some, but not all, of the job losses are covered by these disposals.

However, the bank could not predict the charge which it would incur for the lay-offs, nor project the annual cost savings they would produce. Many of the job losses will be achieved by natural attrition.

The bank has made clear it hopes to move steadily away from reliance on branches towards other delivery channels which require fewer employees.

NationsBank has already announced that all the 1,700 workers at the four Florida call centres operated by the two banks will be retained, as will more than 1,000 employees of Barnett's computer support unit.

The bank's shares suffered in New Year's Eve trading, slipping $⅞ to 60\frac{11}{16}$, suggesting analysts had been looking for steeper job cuts.

Microsoft to buy free e-mail provider

By Nicholas Denton in San Francisco

Microsoft is seeking to revive MSN, the software company's lagging online service, by taking over a fast-growing venture that is the internet's leading provider of free electronic mail.

It is acquiring Hotmail, a two-year-old company offering e-mail accounts which can be accessed from any personal computer connected to the internet – whether at work, home or at an internet café anywhere in the world.

MSN, with 2.3m members when it last released figures in October, lags behind America Online, the leading online service with more than 10m members.

Hotmail has 9m users of its free service, although many accounts are dormant. Microsoft intends to offer free web-based e-mail to its MSN subscribers, as well as promoting to Hotmail users web properties such as MSN.com, Expedia and CarPoint, Microsoft's general, travel and car-buying sites.

The acquisition represents a further shift in Microsoft's focus from the *Microsoft Network, the proprietary network it developed in the* early 1990s, to the world wide web, where it competes with search engines such as Yahoo!.

The purchase price of Hotmail was not disclosed, but Four11, a similar but much smaller e-mail service, was sold to Yahoo! two months ago for $92m. Hotmail is estimated to be worth substantially more than Four11.

Free e-mail services make their money through advertising displayed when a user signs in for messages. They are valuable *because* e-mail is the most widely used internet feature. Users of an e-mail service, once they give out the address, tend to be more loyal than those that visit most other web sites. Their behaviour is similar to that of telephone subscribers reluctant to switch services if that means changing numbers.

Microsoft, although caught unaware by the growth of the *internet, has recovered smartly* since it declared in December 1995 it was centring its entire strategy on the internet. Marketing of its Internet Explorer browser software has been so aggressive it attracted the Department of Justice's current suit against the company.

While Microsoft has narrowed the gap between Netscape's Navigator browser and its own Internet Explorer, which now has a market share of 40 per cent by some estimates, the company's online media efforts have shown mixed results.

Stand-alone electronic commerce sites are generating growing revenues. But experiments at MSN with entertainment programming have proved largely unsuccessful in drawing viewers.

Renault expands horizons

French vehicles group is embarking on a big productivity drive

Renault, France's biggest cars and trucks group, *plans to defy* rising competition and chronic overcapacity in most big car markets and raise output by 500,000 vehicles a year in the next five years.

The bulk of the increase, to 2.3m vehicles a year by 2002, will come from new car plants abroad. These will increase the proportion of Renault vehicles sold outside Europe from 15 per cent to 25 per cent of the total.

The increase will be accompanied by efforts to cut costs and improve competitiveness to prevent Renault falling behind more efficient rivals. *The urgency of* such action was underlined by the recent decision at Toyota – the world's most productive carmaker – to site its new small-car plant in France.

Carlos Ghosn, the ex-Michelin executive spearheading the efficiency drive, said Renault would announce shortly it had reached its two-year target of cutting production costs by FFr3,000 a car.

Having met the goal, set in 1996, Renault will move to a more ambitious plan to axe costs by FFr20bn ($3.34bn) in the next three years through higher productivity and closer co-operation with suppliers.

Mr Ghosn said half the planned savings would come from suppliers. Renault *intended to move towards* Japanese-style long-term relationships with suppliers, with component companies expected to co-operate more closely in product planning and problem-solving.

Mr Ghosn denied the savings would be made by squeezing component companies, but would stem from a "fundamental partnership". Renault, which, like other big carmakers, is cutting its supply base, will publish a shortened list of favoured "supplier partners" early next year.

The remaining FFr10bn *savings would come from* efficiency improvements in Renault's own factories and production systems, said Mr Ghosn.

Renault rationalised its production base earlier this year by closing its Vilvorde plant in Belgium. Mr Ghosn said no further closures were planned, but additional efficiency gains would come through *using remaining* facilities more intensively.

Output at the Douai plant in northern France, which builds the top-selling Mégane Scénic multi-purpose vehicle, would be stepped up by introducing a four-hour night shift next month. Production at the Palencia factory in Spain has also risen following a move from two to three-shift working this year.

Mr Ghosn said further savings would come through economies of scale based on more flexible platforms (basic engineering structures) for future models.

Production of the Scénic will rise to almost 350,000 units a year – double the original level – after changes to the Douai plant over Christmas. Mr Ghosn said the increase, which would cut waiting lists for Renault's most popular car, would cost "no more than" FFr250m between the company and suppliers.

Big demand for the Scénic *across Europe* has contributed to the unexpectedly strong improvement in Renault's profits this year. First-half group operating profits amounted to FFr364m, against a FFr225m loss in the comparable period last year. Pre-tax profits soared from FFr170m to FFr1.1bn.

The Scénic's success overshadowed longer-term strategic problems at the group, such as its over-dependence on western Europe and its weak trucks division. Many analysts believe Renault's long-term margins will remain below that of more *efficient rivals until such* issues are addressed.

Sabine Blümel, motor industry analyst at IMI Sigeco in London, said the first-half results were flattered by the one-off sale of Renault's stake in Elf and by higher than expected financial incomes.

Analysts also point out profits have been boosted by the rise in the value of sterling, which fattened margins on the group's big UK exports, and by strong sales of light commercial vehicles.

However, Mr Ghosn denied the profits surge owed as *much to accident as design. He* believes Renault's production is set to climb substantially after a long period of stagnation on the back of new models and higher sales outside Europe.

Renault has signed a deal to build up to 120,000 mid-sized Mégane models a year in a joint venture *with the* Moscow city authorities in Russia at the Moskvich plant. And its new plant in Brazil is on track to start building 120,00 Scénics – and later small Clio hatchbacks – a year from next December.

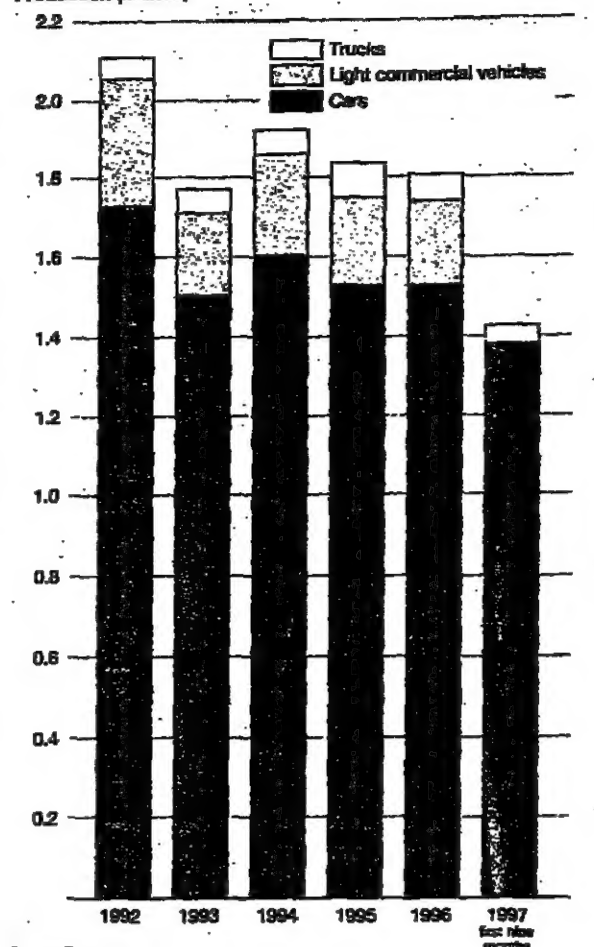
Mr Ghosn denies Renault's late commitment to local production means it risks being caught up by overcapacity in Brazil. "We have *the advantage of starting* with a blank sheet. That has made us aware of the handicaps of others."

He is almost as optimistic about Russia, although he *recognises short-term* demand for cars may be volatile and Moskvich, which barely produced any cars this year because of severe financial problems, is not highly regarded by many rivals. "One must think in terms of opportunities."

Haig Simonian

Renault

Production (millions)



Source: Company

Further casualties in Thai banking shake-up

By Ted Bardacke in Bangkok

A second struggling Thai bank has replaced its board of directors and senior management as part of an agreement with the country's central bank to raise capital and sell a large stake to foreign investors.

Bangkok Metropolitan Bank, the country's ninth largest commercial bank, named a new 12-member board, with former Stock Exchange of Thailand chairman Kovit Poshyananda as its new executive chairman and former Bank of Ayudhya president Somchai Sakulsurarat as its new president.

The changes were similar to restructuring undertaken last week at First Bangkok *City Bank, a move which* authorities hope will facilitate the sale of the bank to Citibank of the US. Citibank is scheduled to finish a due diligence investigation and make an offer by the end of February.

In addition to the *management change at Bangkok* Metropolitan, the central bank ordered it to raise Bt8.9bn ($189m) of new capital by January 26.

The bank said it was expecting a team from the *Taiwanese government's* Council of Economic Development and Planning to arrive in Thailand shortly to consider arranging a capital injection into Bangkok Metropolitan by a group of five Taiwanese banks.

The capital raising deadline was imposed when Bangkok Metropolitan failed to submit an adequate capital raising plan to the central bank on Wednesday.

Under an agreement with the IMF, all Thai commercial banks *were to submit* such plans by Wednesday. Central bank governor Chaiyawat Wibulswasdi said he "had seen plans from most of the banks", and "was satisfied with the process with some minor exceptions that I don't worry about".

Mr Chaiyawat said under those plans Thai banks would raise about Bt70bn in the first quarter of 1998 and did not include capital raising from three of the top five banks in Thailand: Bangkok Bank, Thai Farmers and Bank of Ayudhya.

These three banks, which have been under pressure from Thai authorities to raise capital despite management belief it is not immediately necessary, are being asked to submit a three-year *recapitalisation plan by the* end of March, along with all other Thai banks.

Banks unable to raise the required capital would be subject to intervention from the Bank of Thailand, which would write down the capital of current shareholders, oust management and convert the central bank's liquidity support into equity, Mr Chaiyawat said.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

½ hour period ending	Provisional Price for Trading on [illegible]: Pool purchase price £/MWh	Final Prices for Trading on [illegible]: Pool purchase price £/MWh	Pool selling price £/MWh	TB use of system price £/MWh
0030	10.55	25.48	26.20	1.00
0100	18.20	26.51	27.23	1.00
0130	19.50	26.51	27.23	1.00
0200	22.58	26.51	27.23	1.00
0230	22.58	26.51	27.23	1.00
0300	22.56	26.51	27.23	1.00
0330	20.40	26.51	27.23	1.00
0400	18.50	26.51	27.23	1.00
0430	17.55	25.48	26.20	1.00
0500	17.55	25.48	26.20	1.00
0530	23.68	28.42	29.13	1.00
0600	23.68	28.42	29.13	1.00
0630	23.68	28.42	29.13	1.00
0700	14.14	35.74	36.47	1.00
0730	14.14	35.71	36.53	1.00
0800	10.50	37.60	38.50	1.00
0830	10.48	42.52	43.47	1.00
0900	8.20	42.56	43.52	1.00
0930	10.50	37.77	38.72	1.00
1000	12.02	37.76	38.72	1.00
1030	15.35	37.66	38.61	1.00
1100	15.35	37.65	38.59	1.00
1130	15.35	37.80	38.77	1.00
1200	15.51	42.76	43.79	1.00
1230	25.71	42.69	43.71	1.00
1300	18.51	37.78	38.74	1.00
1330	16.51	37.20	38.08	1.00
1400	16.51	37.17	38.04	1.00
1430	16.51	37.18	38.05	1.00
1500	16.51	37.25	38.15	1.00
1530	16.51	38.44	39.72	1.00
1600	16.51	52.43	57.72	1.00
1630	19.81	144.29	166.86	1.00
1700	20.51	254.09	295.18	1.00
1730	22.61	313.63	355.87	1.00
1800	22.81	261.08	295.20	1.00
1830	22.81	131.38	148.88	1.00
1900	19.81	84.69	93.42	1.00
1930	23.34	65.10	70.12	1.00
2000	23.34	46.58	50.87	1.00
2030	23.94	43.41	44.66	1.00
2100	23.93	37.65	38.60	1.00
2130	16.02	35.84	36.61	1.00
2200	16.02	35.73	36.45	1.00
2230	10.56	30.25	30.95	1.00
2300	25.55	30.38	31.08	1.00
2330	16.02	30.24	30.96	1.00
2400	16.02	28.42	29.13	1.00

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.69/MWh becomes 1.669p/kWh. Provision for the *determination of pool prices is made in the Pooling and* Settlement Agreement which governs the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a [illegible]

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0030	16.02	28.42	28.92	1.00
0100	16.02	28.87	29.37	1.00
0130	22.81	37.36	37.86	1.00
0200	23.63	37.36	37.86	1.00
0230	23.63	32.88	33.37	1.00
0300	23.63	37.36	37.86	1.00
0330	23.63	37.36	37.86	1.00
0400	23.63	32.88	33.37	1.00
0430	10.54	32.88	33.37	1.00
0500	10.56	28.87	29.37	1.00
0530	10.56	22.13	22.63	1.00
0600	10.51	22.13	22.63	1.00
0630	10.53	22.13	22.63	1.00
0700	15.74	32.30	32.81	1.00
0730	15.74	36.74	37.32	1.00
0800	10.53	37.25	38.01	1.00
0830	10.52	45.32	46.19	1.00
0900	25.73	45.04	46.86	1.00
0930	26.67	57.04	58.89	1.00
1000	26.67	57.58	59.07	1.00
1030	26.67	57.79	58.83	1.00
1100	26.67	49.06	50.02	1.00
1130	26.67	45.54	46.48	1.00
1200	26.67	45.39	46.27	1.00
1230	26.67	40.88	41.50	1.00
1300	19.05	40.35	41.07	1.00
1330	19.00	40.07	40.71	1.00
1400	10.56	37.42	38.01	1.00
1430	10.57	37.35	37.92	1.00
1500	10.57	37.31	37.86	1.00
1530	10.58	37.38	37.96	1.00
1600	10.58	40.91	42.75	1.00
1630	10.65	77.83	88.47	1.00
1700	27.80	118.84	134.80	1.00
1730	45.85	155.98	172.64	1.00
1800	45.86	138.94	158.12	1.00
1830	38.34	77.46	84.94	1.00
1900	27.79	57.41	59.93	1.00
1930	24.92	43.02	44.18	1.00
2000	22.43	41.51	42.21	1.00
2030	21.61	36.58	37.11	1.00
2100	21.61	30.72	31.23	1.00
2130	21.61	32.82	33.32	1.00
2200	10.56	30.71	31.21	1.00
2230	16.10	22.13	22.63	1.00
2300	10.56	22.13	22.63	1.00
2330	10.56	22.13	22.63	1.00
2400	10.55	13.49	13.49	0.00

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.69/MWh becomes 1.669p/kWh. Provision for the *determination of pool prices is made in the Pooling and* Settlement Agreement which governs the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a [illegible]

HK Telecom wraps up Pacific Link bid

By Louise Lucas in Hong Kong

Hongkong Telecom, the territory's dominant carrier, yesterday concluded its *HK$4.83bn (US$623m)* takeover of Hong Kong's fourth biggest mobile telephone operator, Pacific Link Communications.

Hongkong Telecom said the deal, which adds two networks and 265,000 subscribers to its existing cellular operations, is expected to be completed at the end of this month. Yesterday the *two companies signed a* binding sale and purchase agreement.

Analysts reckon the takeover will be followed by further consolidation in Hong Kong's fiercely competitive mobile phone sector.

There are 11 networks servicing a population of six million, around one-fifth of whom own mobile phones.

Successive price wars have eroded margins for the mobile telephone operators.

SmarTone, which like Hongkong Telecom runs a mobile network but failed to win one of the latest round of personal communications services licences, is seeking to buy one. Analysts see the *likely sellers* as Mandarin or P-Plus.

Pacific Link comprises both an established cellular network and a fledgling PCS operation.

Its after-tax profits for 1996, the most *recent year* for which audited accounts are available, were HK$310m and the book value of the net assets which are the subject of the transaction was HK$1.33bn.

However, analysts have said the price Hongkong Telecom is paying is fair, as it gives the group extra scope which it will need in the near *future to accommodate* new subscribers, as well as an existing network and subscriber base.

Pacific Link was 65 per cent owned by First Pacific, the Asian conglomerate, *with the balance held by* Vodafone Group of the UK.

NEWS DIGEST

Zurich finishes revamp in US

Zurich Group, Switzerland's largest insurance company, *said it had completed the formation of* New York-based Scudder Kemper Investments, an investment group with more than $200bn in assets under management.

Scudder Kemper Investments is the result of Zurich Group's acquisition in June of US asset management and mutual fund company Scudder, Stevens & Clark in a deal worth about $2.4bn. Zurich Group said at that time it intended to combine the activities of Scudder, Stevens & Clark with those of Zurich Kemper Investments, the Chicago-based asset manager which Zurich acquired in January 1996.

Scudder, Stevens & Clark's *mutual funds and asset* management operations were valued at some $129bn and Zurich Kemper had assets under management of $87bn.

Analysts have said the combination of Scudder and Kemper was ideal since 70-80 per cent of Kemper's business is in retail mutual funds, while about two-thirds of the business at Scudder is done with institutions.

Zurich Group will own about 69.5 per cent of Scudder Kemper Investments with the remainder held by senior *employees of Scudder Kemper.* *Reuters, Zurich*

■ CHIP RESEARCH

Siemens, Motorola to build plant

Siemens and Motorola, the German and US electronics *groups, are to* extend their partnership by building a pilot plant in Dresden, east Germany, to develop advanced and cheaper methods of computer chip production. The two companies are currently building a joint $1.5bn semiconductor facility in the US state of Virginia.

The new venture, with an investment of several hundred million D-Marks and a financial contribution from the German research *ministry, will add to the growing* concentration of electronics operations in Dresden, where Siemens already has a DM2.5bn ($1.4bn) semiconductor plant. AMD of California is also investing DM3bn in a new semiconductor plant in the city.

Further details of the Siemens-Motorola pilot plant will be given in mid-January, Siemens said. Both the German government *and the state of Saxony, of which Dresden is* the capital, have provided heavy financial support through interest rate subsidies and grants for the Siemens and AMD semiconductor investments.

Andrew Fisher, Frankfurt

■ PACIFIC CAN

Currency losses widen deficit

Pacific Can Investment Holdings said it may have to make further provisions in 1998 for the regional currency turmoil that saw its 1997 losses widen by 16 per cent to S$11.6m (US$6.9m).

"The ongoing turmoil in the regional currencies and bourses is expected to have a negative effect on the company's equity investments and further provision may be necessary in the coming year," the company said in a statement accompanying annual results. The group said it would close its construction division after completing jobs in hand and would end can-making in China.

Closing the businesses would help reduce operating costs, it said. No positive contribution to earnings was expected from its *Malaysian can-making operations* because of the regional downturn.

But Pacific Can's ready-mixed concrete operations were seen holding up sales and profitability levels, which both rose in 1997. The division earned S$1.28m in 1997, up from S$0.46m previously. *Reuters, Singapore*

■ SWITZERLAND

SMH upbeat on sales for 1997

Swiss watchmaker Suisse Microelectronique et d'Horlogerie said its 1997 sales to the public would top SFr3bn ($2.06bn). "Sales in 1997 will be more than SFr3bn. They will reach SFr3.04bn or SFr3.05bn," the company said. In 1996 SMH sales totalled SFr2.78bn.

Christmas sales, a large portion of the group's business, were strong, the group said, with sales of the Swatch brand up 25-30 *per cent in the 1997 Christmas season* from the same 1996 period. Rado brand sales were up 14-15 per cent, and Omega sales were up 20-25 per cent.

Reuters, Biel, Switzerland

■ CHILE

Coca-Cola lifts Polar stake

Coca-Cola said it bought an additional 2.9 per cent of Chilean bottler Embotelladoras Coca-Cola Polar, bringing its interest in the company to 19.5 per cent. The stake was acquired recently on the Santiago Stock Exchange, the company said. It was unable to immediately confirm the total *amount paid* but local *financial* daily Estrategia said Coke paid $3.5m for the shares. *AP-DJ, Santiago*

■ GECAMINES

New deal sought on Kolwezi project

America *Mineral Fields said Gecamines, the Democratic* Republic of the Congo's state mining company, wanted to renegotiate the Kolwezi copper-cobalt project which it had won the right to develop last year.

The company said in a statement that Gecamines, while confirming that America Mineral Fields had been selected as joint venture partner for the project, was not satisfied with the tender process.

Canada-based AMF said it had been notified of the move in a statement confirmed by a *senior member* of Gecamines.

"The communique confirmed that a partner, being the company, had been selected to form a joint venture with Gecamines," Simon Brownlie, AMF president, said in a statement.

"The communique went on to state that the initial tender process had not met the needs of the nation, and as a result, it had been terminated until a new arrangement could be put in place," he said. *Reuters, Johannesburg*

Comments and press releases about international companies coverage can be sent by e-mail to international.companies@ft.com

Xin Hua denies Beijing links

By Louise Lucas

A fresh dispute has broken out over Hong Kong's first big property default since the Asian financial crisis, with the buyer now denying it has any links with Beijing.

Last week Pearl Oriental, a Hong Kong property and hotels group, said Xin Hua Estate Limited had failed to pay HK$1.12bn (US$145m) to complete its purchase of new offices in the territory.

Pearl Oriental intends to sue the company.

According to Pearl Oriental, at the time negotiations began in late 1996 the directors of Xin Hua Estate "expressed clearly" they were representing the Xinhua News Agency Beijing head office. At that time – before China resumed sovereignty over Hong Kong – the agency's Hong Kong bureau was Beijing's *de facto* embassy in the territory.

But on New Year's Eve, Xin Hua Estate said it was a wholly commercial company, backed by mainland money but with no connections to Xinhua News Agency. Asked why they did *not make this clear earlier*, a spokesman said directors had been out of town.

Pearl Oriental first publicised the identity of its prospective client on May 24. It told the stock exchange "the purchaser was representing Xinhua News Agency Beijing head office to buy the property." But it said the stock exchange was asked to keep this information confidential until it was in a position to disclose it.

This was then made public, apparently with Xin Hua Estate's approval, on June 23. The relationship between the two Xin Hua's appeared to be underlined by the purchaser's move to rename the office block "News Building" shortly after signing the sale and purchase agreement.

The collapse of the deal – attributed to the purchaser's inability to raise funds as a result of the Asian financial crisis – is particularly sensitive given Beijing's assumed backing, as it could indicate a weakening of confidence in the territory's property sector north of the border.

COMPANIES AND FINANCE

Bass sells Coral to rival Ladbroke for £376m

By John Willman, Consumer Industries Editor

The restructuring of the UK betting industry was given a boost in the last hours of 1997 with the sale by Bass of its Coral's betting shop chain to Ladbroke, the UK's biggest bookmaker.

The two companies announced they had reached agreement late on December 31 on a price of £375.5m ($619.6m) cash for Coral's 833 UK betting shops, telephone and on-course betting business and other racing interests.

Ladbroke also announced that it had agreed to sell 128 shops to Tote Bookmakers to overcome likely objections from the Office of Fair Trading. But even after this disposal it will still have more than 30 per cent of the UK's betting shops.

Other bidders for Coral's included Nomura, the Japanese investment bank which paid £700m in October to buy the William Hill betting shop chain. Ladbroke became the preferred bidder three weeks ago, with a December 31 deadline for completing the sale.

The two chains will be merged, with Coral shops becoming Ladbroke's outlets.

Brian Wallace, Ladbroke finance director, said the group expected savings of more than £10m in the first year from merging the two head offices. But he said Coral's staff had a brighter future with a group committed to the betting industry.

The price is just over 11 times the £33m profits before interest and taxation made by Coral in the year to September 30. This is slightly higher than the multiple paid by Nomura for William Hill said Mark Finnie, leisure analyst at NatWest Markets, but reflects the savings that will be made by merging the two operations. "This is a sensible opportunistic move for Ladbroke's," he said.

Ladbrokes has also acquired 50 betting shops in Ireland, eight in Jersey and Bass's stake in Satellite Information Services, which transmits race meetings to betting shops, in addition to the UK bookmaking business. Regulatory approval will be required from the Irish competition authorities.

Ladbroke has already held exploratory talks with the Office of Fair Trading. The 128 disposals to the Tote are designed to *ensure there are never two out*lets in the merged operation without a competitor within a quarter of a mile walk.

The sale is the third big disposal by Bass in the last month. The group sold its Gala bingo chain for £279 in mid-December and is believed to be looking for a four-star international hotel group to complement its Holiday Inn interests.

However, "everyone thinks Bass has *acquisition plans* up its sleeves," said Mark Finnie. "Perhaps it's so far up their sleeves they can't find it."

Market rumours of an impending deal on Wednesday took Bass shares up 11¼p to 944¼p, while Ladbroke fell 2¼p to 264p.

Plastic pallets challenge wood

By Peter Marsh

A new venture in making plastic pallets – which could ultimately replace the tens of millions of wooden pallets used around the world – has been formed between companies in the UK and Germany.

BFT Plastics, a family owned UK company, has teamed up with Krupp Kautex, part of *Germany's* Krupp Hoesch steel group. They aim to use the specialist technology normally used for making plastic milk bottles to produce lightweight pallets for factories and distribution yards.

BFT, based in Carrickfergus in Northern Ireland, is planning to make plastic pallets in high volumes based on production methods pioneered by Kautex, one of the world's biggest *makers of blow-moulding* machines.

Distribution based on pallets is an industry worth some $30bn (£18bn) a year worldwide. In many developed countries the pallet industry is growing at above the rate of general economic growth as companies switch to more efficient methods of channelling goods.

Among the companies that BFT has talked to about its plastic pallets is Chep, a *joint venture between* GKN of the UK and Australia's Brambles, and which runs the world's biggest "fleet" of 70m pallets, used by industry in 24 countries.

Chep is organising a research programme to examine the potential of switching much of its pallet pool away from wood and towards plastic, on the grounds that plastic systems *should last longer and be* less environmentally damaging, as many wooden pallets last little longer than one industry "trip".

BFT has acquired the rights to use Kautex's ideas in making plastic pallets similar in size to wood but using a sandwich structure – with layers of polyethylene covering a thin layer of foam – which reduces the cost of the finished plastic system while ensuring the structure is rigid and can bear loads of up to 1 tonne.

According to Brian McCann, managing director of BFT, the technology could be used to provide plastic *pallets worth several mil*lion pounds a year.

BFT has spent £7m on a plant in Carrickfergus to make the pallets, which should employ up to 70 people over the next year. The likely cost of each blow-moulded pallet is above £30 – more than three times the cost of a standard wooden pallet, but with a longer life span that could make them more acceptable to users.

Facing a £1.07bn labour to fuel growth

Emiko Terazono looks at the reasons behind Hercules' hostile bid for Allied Colloids

The valley around the Brandywine River in Wilmington, Delaware, was once home to one of early America's most important and successful companies – E.I. Du Pont de Nemours Powder, which supplied the gunpowder used by American soldiers against the British in the *War of Independence in 1812*, and by the US troops against *the Germans in World War I.*

Du Pont split into three earlier this century under orders from anti-trust authorities, creating Hercules Powder and Atlas Powder.

Now the rolling hills of Wilmington are home to leading chemical groups including Du Pont, which has come a long way from being a gunpowder producer. Zeneca's US headquarters is also located in the region. *Atlas was bought by Impe*rial Chemical Industries in 1989.

Hercules, meanwhile, which used its gunpowder to blow out pine stumps from the ground and so discovered resins and rosins has evolved into a speciality chemical company making water soluble polymers and adhesives. Last November it launched a £1.07bn hostile bid for Allied Colloids, the UK *speciality chemical* group, as part of an attempt *to ensure further chapters in* the history books.

Hercules' 155p cash offer for Allied, which will post its *final defence document* next week, follows failed bids in 1996 for National Starch, Unilever's speciality starches operations, and WR Grace, a manufacturer of catalysts for oil refineries.

After starting the disposal programme of its non-core businesses in the early 1990s, Hercules feels the need to purchase a business to fuel further growth.

"We think that acquisitions are important to *increase shareholder value,"* said Vincent Corbo, chief operating officer.

Shareholder value has been Hercules' mantra since Tom Gossage, the former chairman, took over the helm in 1991.

Mr Gossage, who retired early last year, managed to turn around Hercules, regarded by industry analysts as a "troubled company", with earnings of 68 *cents a share in 1990 failing* to cover dividend of 75 cents.

*In order to focus its activi*ties, Hercules has been selling non-core businesses including its film, electronics and aerospace operations.

As a result, the number of employees has fallen from 15,400 in the early 1990s to some 7,000. Sales declined by almost 30 per cent between 1992 and 1996, falling to $2bn (£1.2bn), but restructuring and higher margins helped operational profits almost double to $441m during that period.

However, the company's problem has been finding new growth.

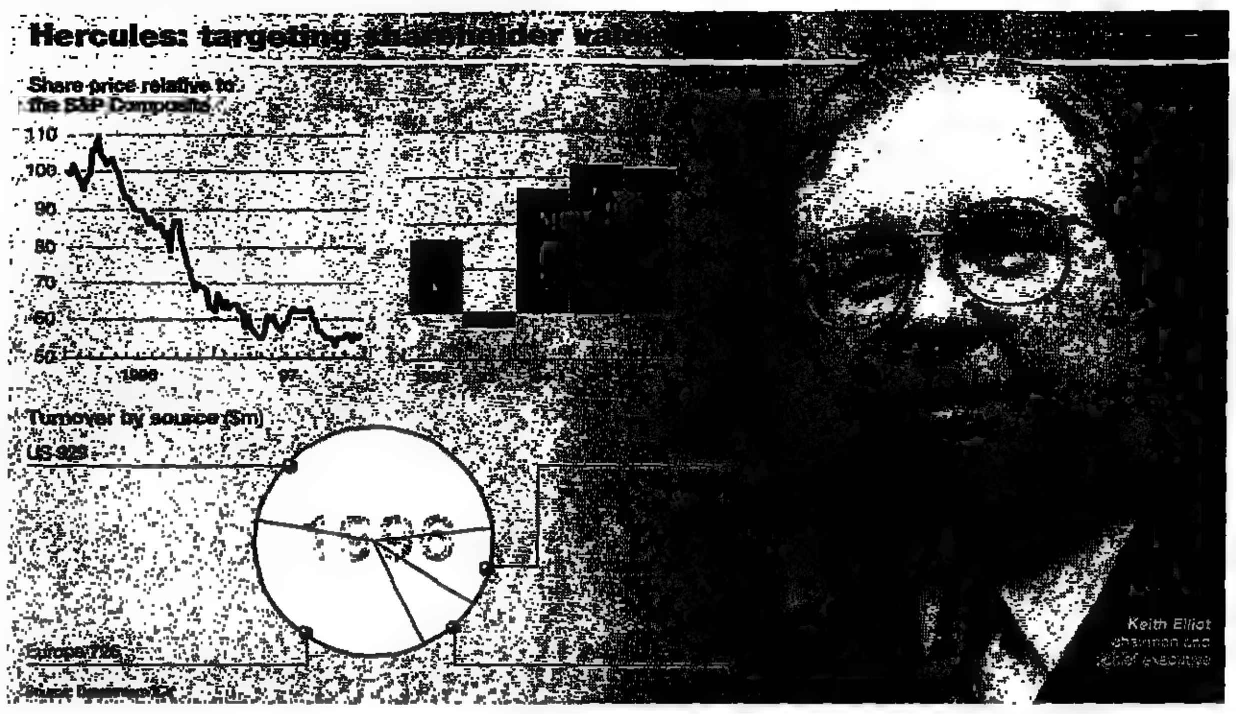
Due to the lack of suitable acquisition targets, it has been forced to return about $1.9bn to shareholders through share buy-backs between 1992 and 1996. "On a five-year scale we've delivered growth," said Keith Elliot, chairman and chief executive officer. But over the past two years, Hercules' shares have underperformed the S&P 500 by 45 per cent and the S&P chemicals index by 43 per cent.

With its annual average sales growth of 11 per cent *over the past 30 years,* strong growth at Allied, which last year had pre-tax profits of £55m on sales of £437m, is an obvious attraction. Allied's service culture is also an asset Hercules wants to acquire.

However, due to the niche markets in which speciality chemicals are involved, the understanding is that maximum value may be hard to achieve. "It is hard to get synergies out of mergers and *acquisitions," said an execu*tive at one European speciality *chemical* group.

Mr Elliot is coy about the expected effect on bottom line growth. At the time it announced its bid, Hercules said the acquisition would be of a more complementary nature rather than that of cost savings and synergies. Allied's management points out that there is little overlap between its product portfolio – which consists of coagulants and flocculants used in pollution control and *paper making – with that of* Hercules. Industry analysts *say it is unclear whether or* not the company can deliver concrete growth due to Hercules' lack of a track record for acquisitions. "I can't guess what they'll do (after the acquisition)," said Leslie Ravitz, chemicals analyst at Morgan Stanley in New York.

Mr Elliot said the group's aim was to source 30 per cent of its revenue from products which were less than 5 years old. Hercules *has reiterated its 155p cash* offer as "generous". But, *given Hercules' apparent* appetite for Allied and that it was willing to bid a much higher price for National Starch, it would be hardly surprising if its offer is increased.



UK contractors consider equity stakes in LCR

By Charles Gresser

Several UK construction companies have discussed taking small equity stakes in London Continental Railways, the company awarded *the concession to build the* £5.4bn ($8.91bn) high speed *rail link between London* and the Channel Tunnel.

Tarmac and Balfour Beatty, among others, are understood to be receptive to the idea of making direct equity investments in the project. However, the stakes would probably be small, at not more than a couple of per cent each.

UK construction companies are desperate for the LCR link to go ahead to replace the reduction of work in road building and maintenance.

The companies are *also* among those *bidding as con*tractors for tunnelling contracts from LCR worth £500m. The award of these contracts was recently delayed. LCR played down the contracts delay, saying the process would be completed "early in the New Year". But there is mounting concern in the City that funding for the most ambitious piece of rail construction for nearly a century has run into trouble.

LCR has also postponed plans for a stock market listing to mid-1998, but has denied it is in difficulties.

UK construction companies often commit equity to large infrastructure projects under the *government's pri*vate finance initiative (PFI).

But investing in LCR could be riskier. Its business case is dependent on revenues from passengers, which will be harder to predict than usage of typical PFI projects such as hospitals or roads where users pay no direct charges.

Ian Tyler, finance director at Balfour Beatty, declined to comment on the prospect of investing in LCR. But he added: "We are very keen for the link to go ahead and would be prepared to consider a number of options to *assist the process."*

The intervention of con*tractors and construction* companies would mean a less radical overhaul of the project's financing than if Railtrack, owner of the UK's rail infrastructure, were to get involved. This scenario could either see Railtrack take a much larger stake in LCR or take over ownership of the high-speed track, leaving the train service, the Eurostar, to be operated separately.

Hambros Bank staff to share proceeds of sale

By George Graham, Banking Editor

Employees in the bonds *division of Hambros Bank* will receive a share in the proceeds when it is sold by Société Générale, the French bank which acquired the unit when it bought the whole of Hambros' banking operations *last* month for £300m ($495m).

Sale talks are now under way with a possible buyer, leaving a team of some 30-40 staff, led by Adrian Bell, to receive up to 47 per cent of the net proceeds.

Under the terms of an agreement disclosed in Hambros' disposal document, Société Générale will receive the first £5m of any sale proceeds and employees of the bonds division the next £4m.

Net proceeds of between £9m and £18m would be split equally between Société Générale and the employees, and above £18m the French bank would take 75 per cent.

Société Générale was *mainly* interested in Hambros' private banking and corporate finance divisions. It said at the time of the purchase that it believed the bonds division would have a greater strategic *value to another financial* institution, and that it would look for bids.

The agreement to split the proceeds is designed to handcuff *key staff* and thus increase the value of the business to a *potential* buyer.

Société Générale said some offers for the division had emerged.

But no decision had yet been made.

Hambros' bond division has built up a business which dominates a number of smaller currency segments of the market. Despite the troubles of its parent bank, the division has expanded rapidly, handling twice as many bond issues last year as in in *previous* year. The division managed around 45 per cent of Eurorand bond issues last year, and was market leader in Czech koruna for the second half of the year. It also had a *market share of about 25 per* cent in Australian dollar issues.

Hambros was named as "emerging currency bond house of the year" for 1997 by IFR, the financial mar*kets publication:* an award which caused some internal merriment, since the bank does not see itself as an emerging market specialist in the conventional sense. Its issues are currency arbitrage deals *exploiting the* high coupons available in some currencies, and almost all are for borrowers rated A and higher.

COMPANIES AND FINANCE

Recovery on last day of trading

GOVERNMENT BONDS

By Vincent Boland in London and John Labate in New York

Government bond markets staged a modest recovery on the last day of 1997 trading on Wednesday, recouping some of the big losses incurred the previous day as the US Treasury market headed higher to reclaim all the ground it lost overnight.

Data showing continued positive trends in US unemployment and other key economic figures gave prices a boost, helping to round off 1997 trading on an upward note after a year of strong gains on the world government bond markets.

European trading was quiet because of the closure of the German bund market for the new year holiday.

Trading in US TREASURIES was also thin as the market closed early for the new year's holiday. The 30-year Treasury bond ended $\frac{5}{32}$ higher at $102\frac{27}{32}$, with the yield down to 5.920 per cent.

Among shorter-term issues the 10-year note gained $\frac{3}{8}$ to $102\frac{27}{32}$, yielding 5.744 per cent. The Federal Funds rate stood at 6.25 per cent.

"We're ending on a positive note," said Kevin Logan, senior market economist at Dresdner Kleinwort Benson. The day's strength in bond prices was due mainly to year-end balancing by investors, he added.

The Chicago Purchasing Management Association's December report came in close to expectations, with the index of manufacturing activity falling to 58.1 from 59.5 the previous month.

The data had only a slight impact on trading, with the market focusing on the more widely watched report from the National Association of Purchasing Management, due to be released today.

In European trading, UK GILTS staged a modest recovery in very light trading, with the market not expected to return to normal trading levels and hours until Monday. The March gilt future ended $\frac{11}{32}$ higher at $121\frac{5}{32}$ with about 6,500 contracts traded.

The gilt market's main immediate focus is the release today of M4 money supply and consumer credit figures for November, which are not expected to contain any surprises or to give any real indications of where interest rates might be headed.

However, more pundits are coming forward to forecast that interest rates will rise again this year, peaking by the year-end.

Deutsche Morgan Grenfell believes rates will rise to 7.75 per cent in 1998, while HSBC James Capel expect them to peak at 8 per cent.

"In 1998 we don't expect as helpful a background for gilts as we had last year; however, falling spreads will help mitigate weaker global bonds," HSBC analysts said in a report on first-quarter investment strategy.

While the Frankfurt markets were closed, there was some trading in GERMAN BUND futures in London.

The March future ended 0.19 higher at 104.19, while the 10-year gilt/bund yield spread widened to 104 basis points.

Spanish, French and Italian bonds all rebounded to reverse early losses.

The SPANISH BONO future settled 0.38 higher at 105.68 after briefly setting a new record for the 10-year bono/bund yield spread of 26 basis points. The spread ended trading at 27 basis points.

Market rebound hopes lift US-listed Asia funds

By Jonathan Ford

Recent falls in Asian stock markets have opened up striking anomalies in the pricing of closed-end investment funds that specialise in the region.

Since the final quarter of the year, US-listed Asian funds have been trading at a premium to net asset value for the first time since early 1995, according to a research report by Flemings, the UK investment bank.

At the same time, similar non-US funds have fallen to stand at average net asset discounts of more than 10 per cent.

The figures suggest US investors are betting heavily that Asian markets will rebound in coming months. However, their optimism is not shared by their non-US counterparts.

Closed-end funds, generally known in the UK as investment trusts, are listed funds with a fixed capital base. The shares are priced against the investment performance of the capital base, which determines the net asset value. In some cases, funds also have a limited life before capital must be returned to investors.

Analysts argue closed-end funds represent safer investments than open-ended mutual funds during times of extreme market volatility because they are not exposed to the same risk of redemption by investors. These can force fund managers to sell their most liquid stocks to meet demands from investors for cash.

Peter Juhl, emerging market investment fund analyst at Flemings, believes US funds have risen to premiums because retail investors have been buying into the funds in the hope of catching a market rebound in Asia.

"What is happening now is very similar to what happened to Mexican funds at the time of the peso crisis. Then, retail buyers accumulated closed-end funds in the belief that the markets were very oversold and would rebound. In effect, they were prepared to give up some of the rebound upside just to make sure they were in there before the bounce."

In the first quarter of 1995, US-listed Latin American funds traded at average net asset premiums of around 7 per cent before reverting to a discount during the summer months as the region's markets recovered.

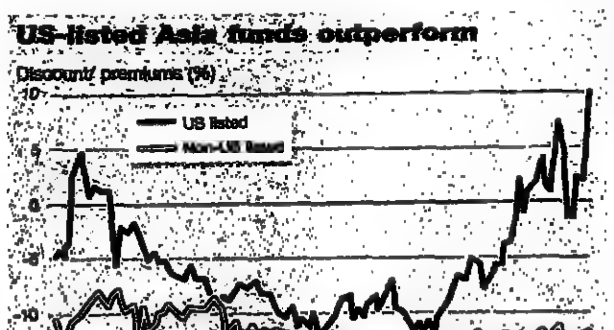
By contrast, Mr Juhl said non-US funds have slipped to a substantial discount because institutional and hedge fund investors, heavy buyers of such funds in recent years, have investment criteria which preclude them from bidding up the value of the funds to the point that they trade at a premium to net assets.

Among Asian funds, the biggest premiums are to be found among US-listed Thai and Malaysian funds, which currently trade at premiums of between 30 per cent and 50 per cent to net asset value. Even US Korean funds, which fell to a discount of around 15 per cent in the autumn as the economic condition there worsened, have leapt in the past two months and now stand at a 40 per cent premium.

By contrast, Malaysian and Korean non-US listed funds are trading at a discount, although the Korean discount has recently narrowed to 10 per cent.

Mr Juhl said the behaviour of US Asian funds did not necessarily represent a buying signal. However, he argued that non-US closed-end funds could offer an attractive way back into the market for investors looking at gaining exposure to Asia.

"There are funds trading at massive discounts which have historically outperformed their markets and their peers," he said.



Big four dominate securities business

By John Authers in New York

The "bulge bracket" Wall Street investment banks dominated the growing market for underwriting US corporate securities last year. The top four – Merrill Lynch, Salomon Smith Barney, Goldman Sachs and Morgan Stanley Dean Witter – accounted for more than half the market, according to figures released by Securities Data.

Both Salomon Smith Barney and Morgan Stanley Dean Witter are the products of large mergers which took place last year, demonstrating the consolidation of the industry. However, Merrill Lynch remains the largest, with 16.1 per cent, compared with 12.9 per cent for Salomon Smith Barney, 10.8 per cent for Morgan Stanley Dean Witter, and 10.6 per cent for Goldman Sachs.

These four accounted for 50.4 per cent of the market, while the top 25 issuers accounted for 96.2 per cent.

Securities Data's figures also confirm that it has been a record year for Wall Street as a whole, with the volume of securities underwritten increasing by 33.8 per cent from $929.6bn to $1,244bn.

There were few significant shifts in the rankings, with the biggest rises being recorded by NatWest Markets, from 18th to 14th, and Nomura Securities, from 25th to 19th.

Merrill Lynch led in most of the categories monitored by Securities Data. Initial public offerings were one exception, however, with Goldman Sachs underwriting issues valued at $6.64bn to lead the market with a 15.6 per cent share.

NEWS DIGEST

Airplanes Group plans bond issue

Airplanes Group, the Irish aircraft leasing company, has filed a registration statement with the US Securities and Exchange Commission to tap the US bond market for up to $850m. Proceeds from the issue, scheduled for March 16, will be used to refinance existing debt. Morgan Stanley has been mandated to act as lead manager, with Lehman Brothers and Salomon Smith Barney as co-managers.

AG owns 228 aircraft, leased to 77 operators in 40 countries. The company also said it had agreed to sell six aircraft to Emery Worldwide Airways, the current lessee.

An updated appraisal of AG's aircraft is planned before the end of the month, which is expected to show a larger than anticipated decrease in their value. The aircraft are used as collateral on some of the company's existing debt and a fall in their value could affect interest payments. Part of the shortfall, however, is likely to be offset by cash reserves and the proceeds from the sale to Emery of the six aircraft. *Samer Iskandar*

■ SYNDICATED LOANS

Elementis to raise £450m

Elementis, the chemicals group previously called Harrisons & Crosfield, is planning to raise £450m ($742.5m) through a syndicated loan. Proceeds will finance the acquisition of Rheox, a US manufacturer of additives for industrial coatings, from NL Industries. The change in the company's name took effect yesterday.

The facility is fully underwritten by Den Danske Bank, Royal Bank of Scotland and J. Henry Schroder, which have been mandated as arrangers. Syndication is expected to be launched before the end of the month.

The acquisition of Rheox, announced this week, was part of H&C's strategy to dispose of non-core activities and focus on speciality chemicals. The company has made disposals of £479m in the past year and plans to return £402m (56p a share) to investors. *Samer Iskandar*

■ KOOR ACQUISITION

Asian crisis delays meeting

Koor Industries said the financial crisis in Asia was one reason behind the delay of a shareholders' meeting to approve its acquisition of a 10.66 per cent stake in ECI Telecom.

Koor, Israel's largest holding company, had said in a statement to the Tel Aviv Stock Exchange on Wednesday that the meeting would now occur at "the closest possible date after the publication of ECI's annual report for 1997" rather than on February 10, as originally planned.

Jonathan Kolber, Koor deputy chairman, said one reason for the delay was analysts' concerns that ECI, a maker of telecommunications equipment, could be hurt by the Asian crisis. *Reuters, Tel Aviv*

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

Dec 31	Red Date	Coupon	Bid Price	Bid Yield	Day chg yield	Wk chg yield	Month chg yld	Year chg yld
Australia	04/00	7.000	103.3923	5.40	+0.09	+0.06	+0.22	−0.79
	10/07	10.000	128.7245	6.02	+0.09	+0.10	−0.19	−1.30
Austria	09/99	7.000	104.2400	4.35	−0.01	−0.01	−0.13	+0.57
	07/07	5.625	101.4900	5.42	−0.01	+0.12	−0.11	−0.39
Belgium	01/00	4.000	99.3300	4.35	−0.09	+0.07	+0.08	+1.09
	03/07	6.250	106.7500	5.44	−0.03	+0.10	−0.15	−0.43
Canada*	09/99	4.750	99.5100	5.05	−0.10	−0.14	+0.59	+1.04
	06/07	7.250	111.8000	5.60	−0.06	−0.04	+0.03	−0.80
Denmark	12/99	6.000	102.6300	4.61	−0.01	+0.08	−0.17	+0.50
	11/07	7.000	109.9400	5.66	–	+0.09	−0.28	−0.87
Finland	01/99	11.000	106.6650	4.04	−0.02	–	−0.21	+0.20
	04/06	7.250	111.8420	5.43	+0.04	+0.09	−0.21	−0.76
France	01/00	4.000	99.5448	4.24	−0.03	+0.09	−0.07	+0.77
	10/04	6.750	109.6500	5.03	−0.02	+0.11	−0.15	−0.15
	10/07	5.500	101.1700	5.24	−0.02	+0.12	−0.10	−0.42
	10/25	6.000	101.2900	5.90	−0.01	+0.10	−0.10	−0.91
Germany	09/99	4.000	99.6200	4.10	−0.01	+0.08	−0.08	+0.64
	11/04	7.500	113.2300	5.15	−0.02	+0.12	−0.08	−0.26
	07/07	6.000	104.6900	5.35	−0.02	+0.11	−0.10	−0.43
	07/27	6.500	107.5600	5.95	−0.01	+0.12	−0.08	−0.72
Ireland	04/99	6.250	101.5200	4.94	−0.02	+0.05	−0.27	−1.05
	08/06	8.000	116.6500	5.62	−0.02	+0.06	−0.31	−1.17
Italy	05/00	6.000	102.6800	4.78	−0.07	+0.03	−0.51	−1.56
	08/02	6.250	104.4500	5.10	−0.06	+0.05	−0.30	−1.67
	07/07	6.750	108.5900	5.57	−0.03	+0.09	−0.28	−2.00
	11/26	7.250	116.4400	6.04	−0.02	+0.05	−0.31	−2.03
Japan	03/00	6.400	112.5100	0.66	−0.01	+0.03	+0.26	−0.18
	12/02	4.800	116.7600	1.29	−0.01	+0.04	+0.03	−0.67
	09/06	3.000	102.1800	1.72	–	+0.02	−0.05	−0.88
	09/17	3.000	105.8800	2.56	–	+0.02	−0.09	−0.84
Netherlands	11/99	7.500	105.8814	4.25	+0.01	+0.04	−0.05	+0.87
	02/07	5.750	103.1100	5.31	+0.01	+0.12	−0.11	−0.36
New Zealand	[illegible]							
Norway	[illegible]							
Portugal	[illegible]							
Spain	[illegible]							
Sweden	[illegible]							
Switzerland	[illegible]							
UK	[illegible]							
US*	[illegible]							
ECU	[illegible]							

London closing, *New York closing. Source: Interactive Data/FT Information. [illegible]

10 YEAR BENCHMARK SPREADS

[illegible]

EMERGING MARKET BONDS

[illegible]

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	100.66	100.86	+0.06	100.94	100.52	21,850	120,656
Jun	100.00	100.15	+0.06	100.00	99.90	402	601
Sep	99.76	99.92	+0.06	99.76	99.76	2	–

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Jan	Calls Feb	Calls Mar	Puts Jan	Puts Feb	Puts Mar
97	3.76	3.84	3.34	0.01	0.06	0.26
98	2.80	2.92	2.56	0.03	0.15	0.49
99	1.86	2.05	1.86	0.08	0.28	0.81
100	1.03	1.27	1.33	0.25	0.50	1.23
101	0.42	0.69	0.89	0.63	0.91	1.78

Est. vol. total, Calls 7,872 Puts 11,818. Previous day's open int., Calls 82,877 Puts 86,[illegible].

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	104.13	104.19	+0.19	104.25	103.89	21792	222058
Jun		103.60	+0.19			0	1144

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Feb	Calls Mar	Calls Apr	Calls Jun	Puts Feb	Puts Mar	Puts Apr	Puts Jun
10400	0.61	0.91	0.81	1.18	0.42	0.72	1.21	1.55
10450	0.36	0.64	0.59	0.91	0.67	0.95	1.49	1.81
10500	0.20	0.44	0.42	0.71	1.01	1.25	1.82	2.11

Est. vol. total, Calls 1907 Puts 318. Previous day's open int., Calls 125879 Puts 139214

■ NOTIONAL GERMAN BUND (BOBL) FUTURES

[illegible]

■ NOTIONAL GERMAN BOBL FUTURES (LIFFE)* DM250,000 100ths of 100%

[illegible]

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

[illegible]

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

[illegible]

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

[illegible]

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

[illegible]

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

[illegible]

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

[illegible]

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

[illegible]

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

[illegible]

* LIFFE futures also traded on APT. All Open Interest figs. are for previous day.

US CORPORATE BONDS

Dec 31	Red date	Coupn	S & P Rating	Bid price	Bid yield	Day's chge yld	Mth's chge yld	Sprd v Govts
■ UTILITIES								
Pac Bell	07/02	7.25	AA−	104.2098	6.16	−0.05	−0.11	+0.45
NY Tel	08/25	7.00	A+	99.1902	7.05	−0.05	−0.08	+1.14
CWE	05/06	8.00	BBB	109.3686	6.72	−0.06	−0.10	+0.95
■ FINANCIALS								
GECC	05/07	8.75	AAA	117.0214	6.31	−0.06	−0.11	+0.57
Banc One	08/02	7.25	A+	104.0407	6.21	−0.06	−0.13	+0.50
US West	01/07	7.30	BBB+	103.7118	6.74	−0.05	−0.16	+1.00
■ INDUSTRIALS								
WMX Tech	04/99	6.25	A−	99.8649	6.35	−0.05	−0.22	+0.70
Wal Mart	05/02	6.75	AA	102.3773	6.11	−0.06	−0.13	+0.40
Dayton Hud	06/21	9.70	BBB+	130.4448	7.03	−0.05	−0.09	+1.11
■ AGENCIES								
FHLMC	04/07	7.14	N/A	107.4977	6.06	−0.06	−0.08	+0.32
SLMA	08/00	7.50	N/A	103.3828	5.88	−0.04	−0.10	+0.16
FNMA	02/18	8.98	N/A	129.5041	6.33	−0.05	−0.09	+0.41
FFCB	06/06	8.95	N/A	118.9065	6.04	−0.06	−0.12	+0.30
■ HIGH YIELD								
Stone Cont	02/01	9.88	B	99.8750	0.00	–	–	–
AK Stl	12/01	9.13	BB−	102.5000	0.00	–	–	–
Pacaltx	06/04	10.75	B−	97.0000	0.00	–	–	–

New York closing. Standard & Poor's ratings. Yields: semi-annual basis. Source: Interactive Data/FT Information.

US INTEREST RATES

Close

		Treasury Bills and Bond Yields			
Prime rate	[illegible]	One month	–	Two year	5.68
Broker loan rate	[illegible]	Two month	–	Three year	5.71
Fed.funds	[illegible]	Three month	5.35	Five year	5.74
Fed.funds at intervention	–	Six month	5.48	10-year	5.77
		One year	5.51	30-year	5.93

INTERNATIONAL BONDS

[illegible]

London closing. Standard & Poor's ratings. Yields: Local market standard/Annualised basis. Source: Interactive Data/FT Information.

UK BONDS

FTSE Actuaries Govt. Securities — **UK Indices**

[illegible]

FT Fixed Interest Indices

[illegible]

UK GILTS PRICES

[illegible]

Other Fixed Interest

[illegible]

CURRENCIES AND MONEY

POUND SPOT FORWARD AGAINST THE POUND

Dec 31		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	20.8157	-0.0853	089 - 224	20.9095	20.7217	20.7488	3.9	20.6218	3.7	20.1332	3.3	102.5
Belgium	(BFr)	60.9619	-0.2329	115 - 123	61.2750	60.8810	60.7597	4.0	60.3655	3.9	58.8867	3.4	102.0
Denmark	(DKr)	11.2864	-0.0383	830 - 897	11.3158	11.2387	11.2312	3.7	11.1652	3.8	10.9179	3.1	104.4
Finland	(FM)	8.9600	-0.0291	581 - 669	8.9990	8.9380	8.9288	4.2	8.8717	3.9	8.663	3.3	80.6
France	(FFr)	9.8985	-0.0297	961 - 008	9.9413	9.8706	9.8657	4.0	9.8041	3.8	9.5585	3.4	105.5
Germany	(DM)	2.9585	-0.0092	576 - 593	2.9720	2.9501	2.9486	4.0	2.9299	3.9	2.8569	3.4	103.1
Greece	(Dr)	466.802	-1.618	649 - 956	468.967	464.506	469.017	-5.7	474.715	-6.8	496.094	-6.3	65.2
Ireland	(I£)	1.1544	-0.004	534 - 554	1.1593	1.1525	1.1533	1.2	1.15	1.5	1.1284	2.4	95.4
Italy	(L)	2909.06	-5.01	821 - 991	2919.79	2896.98	2905.46	1.5	2897.05	1.7	2840.88	2.3	75.7
Luxembourg	(LFr)	60.9619	-0.2329	115 - 123	61.2750	60.8810	60.7597	4.0	60.3655	3.9	58.8867	3.4	102.0
Netherlands	(Fl)	3.3356	-0.0092	346 - 365	3.3485	3.3234	3.324	4.2	3.3025	4.0	3.2193	3.5	101.2
Norway	(NKr)	12.1302	-0.0582	267 - 337	12.2041	12.0982	12.0892	4.1	12.0151	3.8	11.7591	3.1	98.0
Portugal	(Es)	302.498	-1.057	369 - 628	303.671	301.925	301.882	2.4	300.542	2.6	294.021	2.8	91.6
Spain	(Pta)	250.784	-0.348	664 - 905	251.590	249.070	250.222	2.7	249.073	2.7	243.558	2.9	76.7
Sweden	(SKr)	13.0552	-0.0355	491 - 613	13.1215	13.0160	13.0239	2.9	12.9881	2.7	12.765	2.2	84.6
Switzerland	(SFr)	2.3999	-0.009	987 - 011	2.4138	2.3855	2.3872	6.4	2.3645	5.9	2.2698	5.4	108.0
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	104.4
Ecu	-	1.4948	-0.0058	942 - 953	1.5027	1.4916	1.4906	3.3	1.4828	3.2	1.4508	2.9	-
SDR†	-	1.22929	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.6451	-0.0112	448 - 453	1.6593	1.6405	-	-	-	-	-	-	-
Brazil	(R$)	1.8363	-0.0126	359 - 367	1.8492	1.8313	-	-	-	-	-	-	-
Canada	(C$)	2.3546	-0.0272	538 - 553	2.3766	2.3513	2.3485	3.1	2.3379	2.8	2.3014	2.3	82.5
Mexico	(New Peso)	13.2849	-0.0931	546 - 751	13.3434	13.2331	13.4066	-12.8	13.6721	-12.3	14.8056	-11.6	-
USA	($)	1.6454	-0.0112	451 - 456	1.6586	1.6408	1.6429	1.8	1.6381	1.8	1.6196	1.6	100.1
Pacific/Middle East/Africa													
Australia	(A$)	2.5253	-0.0141	239 - 266	2.5461	2.5154	2.5198	2.6	2.5089	2.6	2.4662	2.3	85.1
Hong Kong	(HK$)	12.7490	-0.088	454 - 526	12.8508	12.7146	12.7461	0.3	12.7989	-1.6	13.237	-3.8	-
India	(Rs)	64.5142	-0.5903	879 - 404	65.1530	64.4880	-	-	-	-	-	-	-
Israel	(Shk)	5.8202	-0.028	123 - 281	5.8265	5.8020	-	-	-	-	-	-	-
Japan	(Y)	213.937	-0.99	863 - 010	215.830	213.710	212.637	7.3	210.152	7.1	199.812	6.7	118.9
Malaysia	(M$)	6.4045	-0.0447	961 - 129	6.4457	6.3745	6.3806	2.6	6.3659	1.2	6.482	-1.2	-
New Zealand	(NZ$)	2.8337	-0.0069	315 - 358	2.8530	2.8173	2.8371	-1.4	2.8412	-1.1	2.8571	-0.8	102.3
Philippines	(Peso)	65.6495	-0.8631	750 - 240	67.2728	65.4440	66.8649	-22.2	68.6067	-18.0	76.0485	-15.8	-
Saudi Arabia	(SR)	6.1709	-0.0421	695 - 722	6.2204	6.1541	6.162	1.7	6.1459	1.5	6.0841	1.4	-
Singapore	(S$)	2.7724	-0.0049	703 - 745	2.7911	2.7655	2.7805	-3.5	2.7848	-1.8	2.7977	-0.9	-
South Africa	(R)	8.0071	-0.0481	018 - 124	8.0694	7.9817	8.0623	-8.3	8.1534	-7.3	8.5177	-6.4	-
South Korea	(Won)	2788.87	+80.33	844 - 929	2924.96	2716.68	-	-	-	-	-	-	-
Taiwan	(T$)	53.7503	-0.2334	928 - 078	54.1334	53.6882	53.6867	1.4	53.585	1.4	53.088	1.2	-
Thailand	(Bt)	79.2237	+1.196	003 - 470	79.6500	76.9020	79.7605	-8.1	80.797	-7.9	84.6598	-6.9	-

† Rates for Dec 30. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, offer, mid spot rates and forward rates in both this and the Dollar table are derived from THE WM/REUTERS CLOSING SPOT and FORWARD RATE services. Some values are rounded by the F.T.
The exchange rates printed in this table are also available on the Internet at http://www.FT.com

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Dec 31		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P. Morgan index
Europe													
Austria	(Sch)	12.6512	+0.0465	490 - 534	12.6560	12.5660	12.6297	2.0	12.5892	2.0	12.4317	1.7	102.4
Belgium	(BFr)	37.0510	+0.111	260 - 760	37.0830	36.8800	36.9843	2.2	36.852	2.1	36.361	1.9	102.0
Denmark	(DKr)	6.8474	+0.0234	464 - 484	6.8540	6.8077	6.8364	1.9	6.8162	1.8	6.7414	1.5	103.8
Finland	(FM)	5.4457	+0.0195	423 - 490	5.4496	5.4127	5.4349	2.4	5.4161	2.2	5.3492	1.8	80.3
France	(FFr)	6.0160	+0.0229	155 - 165	6.0190	5.9797	6.0052	2.2	5.9851	2.1	5.9026	1.9	105.0
Germany	(DM)	1.7981	+0.0066	978 - 983	1.7995	1.7871	1.7948	2.2	1.7887	2.1	1.7641	1.9	102.7
Greece	(Dr)	283.710	+0.95	660 - 760	284.120	280.780	285.49	-7.5	289.805	-8.6	306.325	-8.0	65.1
Ireland	(I£)	1.4253	-0.0048	243 - 263	1.4323	1.4235	1.4245	0.6	1.4244	0.3	1.4378	-0.9	-
Italy	(L)	1768.05	+8.99	780 - 830	1769.20	1755.40	1768.55	-0.3	1768.6	-0.1	1754.17	0.8	75.6
Luxembourg	(LFr)	37.0510	+0.111	260 - 760	37.0830	36.8800	36.9843	2.2	36.852	2.1	36.361	1.9	102.0
Netherlands	(Fl)	2.0273	+0.0082	270 - 275	2.0290	2.0141	2.0239	2.3	2.0161	2.2	1.9878	1.9	101.2
Norway	(NKr)	7.3724	+0.0149	714 - 734	7.3827	7.3135	7.3587	2.2	7.335	2.0	7.2609	1.5	97.5
Portugal	(Es)	183.850	+0.61	800 - 900	184.000	182.890	183.755	0.6	183.475	0.8	181.55	1.3	92.0
Spain	(Pta)	152.420	+0.825	370 - 470	152.660	151.100	152.31	0.9	152.055	1.0	150.39	1.3	78.4
Sweden	(SKr)	7.9346	+0.0325	321 - 371	7.9409	7.8860	7.9276	1.1	7.9156	1.0	7.8821	0.7	84.5
Switzerland	(SFr)	1.4586	+0.0045	581 - 591	1.4610	1.4520	1.4531	4.5	1.4435	4.1	1.4016	3.9	107.7
UK	(£)	1.6454	-0.0112	451 - 456	1.6586	1.6408	1.6429	1.8	1.6381	1.8	1.6196	1.6	104.7
Ecu	-	1.1008	-0.0032	005 - 010	1.1060	1.0990	1.1021	-1.5	1.1048	-1.5	1.1163	-1.4	-
SDR†	-	0.740406	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9998	-	998 - 998	0.9998	0.9998	-	-	-	-	-	-	-
Brazil	(R$)	1.1161	-	160 - 161	1.1170	1.1157	-	-	-	-	-	-	-
Canada	(C$)	1.4311	-0.0067	308 - 313	1.4350	1.4305	1.4296	1.3	1.4273	1.1	1.4211	0.7	82.2
Mexico	(New Peso)	8.0620	-0.0015	570 - 670	8.0750	8.0550	8.1605	-14.7	8.3465	-14.1	9.142	-13.4	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	109.8
Pacific/Middle East/Africa													
Australia	(A$)	1.5348	+0.0019	342 - 354	1.5360	1.5330	1.534	0.6	1.5314	0.9	1.5207	0.9	85.6
Hong Kong	(HK$)	7.7485	-0.0005	475 - 495	7.7500	7.7470	7.7585	-1.5	7.8135	-3.4	8.1735	-5.5	-
India	(Rs)	39.2100	-0.09	000 - 200	39.3200	39.1950	-	-	-	-	-	-	-
Israel	(Shk)	3.5374	+0.0071	331 - 416	3.5418	3.5309	-	-	-	-	-	-	-
Japan	(Y)	130.025	+0.285	000 - 050	130.450	129.820	129.43	5.5	128.29	5.3	123.255	5.2	120.2
Malaysia	(M$)	3.8925	-0.0005	880 - 970	3.9000	3.8500	3.89	0.8	3.8985	-0.6	4.0025	-2.8	-
New Zealand	(NZ$)	1.7222	+0.0075	212 - 232	1.7240	1.7170	1.7253	-2.2	1.7307	-2.0	1.7495	-1.6	-
Philippines	(Peso)	39.9000	-0.25	000 - 000	41.0000	39.8000	40.7005	-24.1	41.883	-19.9	46.9575	-17.7	-
Saudi Arabia	(SR)	3.7505	-	502 - 507	3.7507	3.7502	3.7508	-0.1	3.752	-0.2	3.7568	-0.2	-
Singapore	(S$)	1.6850	+0.0085	840 - 860	1.6865	1.6740	1.6925	-5.3	1.7001	-3.6	1.7275	-2.5	-
South Africa	(R)	4.8665	+0.004	640 - 690	4.8695	4.8600	4.9075	-10.1	4.9775	-9.1	5.2595	-8.1	-
South Korea	(Won)	1695.00	+60	500 - 500	1765.00	1654.00	-	-	-	-	-	-	-
Taiwan	(T$)	32.6680	+0.081	380 - 980	32.7000	32.5800	32.679	-0.4	32.7005	-0.4	32.7805	-0.3	-
Thailand	(Bt)	48.1500	+1.05	000 - 000	48.4000	46.6000	48.55	-10.0	49.325	-9.8	52.275	-8.6	-

† SDR rate per $ for Dec 30. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Dec 30: Base average 1990=100.
The exchange rates printed in this table are also available on the Internet at http://www.FT.com

WORLD INTEREST RATES

MONEY RATES

December 31	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	3 15/32	3 5/8	3 [illegible]	3 [illegible]	4 1/32	6.00	2.75	-
France	3 7/16	3 7/16	3 9/16	3 [illegible]	3 [illegible]	4.60	-	3.30
Germany	3 5/8	3 1/2	3 [illegible]	3 [illegible]	3 7/8	4.50	2.50	3.30
Ireland	6 [illegible]	6 1/4	6 [illegible]	5 [illegible]	5 5/8	-	-	6.75
Italy	6 [illegible]	6 [illegible]	5 [illegible]	5 [illegible]	5 [illegible]	7.00	5.50	6.17
Netherlands	3 [illegible]	3 [illegible]	3 3/4	3 5/8	3 [illegible]	-	2.75	3.30
Switzerland	1 1/4	1 1/8	1 [illegible]	1 [illegible]	1 [illegible]	-	1.00	-
US	6 1/4	6 1/16	5 7/8	5 [illegible]	5 [illegible]	-	5.00	-
Japan	3/8	7/16	7/16	15/32	15/32	-	0.50	-
■ $ LIBOR FT London								
Interbank Fixing	-	5 [illegible]	5 [illegible]	5 [illegible]	5 [illegible]	-	-	-
US Dollar CDs	-	5.35	5.54	5.60	5.72	-	-	-
ECU Linked Ds	-	4 1/4	4 3/8	4 [illegible]	4 [illegible]	-	-	-
SDR Linked Ds	-	3 5/8	3 5/8	3 [illegible]	4 1/16	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo Mitsubishi, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Dec 31	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	4 - 3 1/2	[illegible]	[illegible]	[illegible]	[illegible]	4 - 3 [illegible]
Danish Krone	[illegible]	[illegible]	3 7/8 - 3 3/4	[illegible]	[illegible]	[illegible]
German Mark	3 3/4 - 3 1/4	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dutch Guilder	3 1/4 - 3 1/8	[illegible]	[illegible]	[illegible]	[illegible]	4 1/8 - 4 1/4
French Franc	[illegible]	3 1/2 - 3 3/8	[illegible]	[illegible]	[illegible]	4 - 3 7/8
Portuguese Esc.	[illegible] - 5 1/4	[illegible]	[illegible]	[illegible] - 5	4 7/8 - [illegible]	[illegible]
Spanish Peseta	[illegible]	[illegible]	[illegible]	[illegible]	[illegible] - 4 5/8	[illegible]
Sterling	7 3/8 - 7 1/4	7 1/4 - 7 1/8	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Franc	1 1/8 - 7/8	1 1/8 - 1	[illegible]	1 1/2 - 1 3/8	[illegible]	1 7/8 - 1 3/4
Canadian Dollar	4 1/4 - 4 1/8	[illegible]	[illegible]	[illegible] - 4 5/8	5 - 4 7/8	[illegible]
US Dollar	6 1/4 - 6	5 5/8 - 5 1/2	6 1/8 - 6	[illegible]	[illegible]	[illegible]
Italian Lira	7 1/2 - 6 1/2	[illegible] - 6 1/8	[illegible]	[illegible]	5 3/4 - 5 5/8	5 1/4 - 5 1/8
Japanese Yen	[illegible]	1/2 - [illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	1 1/2 - 1	5 - 4 1/2	7 - 6 1/2	7 - 6 1/2	7 - 6 1/2	7 - 6 1/2

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	96.15	96.19	+0.03	96.19	96.13	14,419	77,927
Jun	96.01	96.05	+0.04	96.06	96.06	2,599	42,715
Sep	95.90	95.92	-	95.92	95.88	1,490	30,605

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	96.15	96.20	+0.02	96.20	96.15	9548	364339
Jun	96.01	96.07	+0.04	96.07	96.01	8083	350498
Sep	95.89	95.94	+0.03	95.94	95.89	4852	241343
Dec	95.70	95.73	+0.02	95.73	95.70	5515	203847

■ ONE MONTH EUROMARK FUTURES (LIFFE)* DM3m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jan		96.44	+0.02			0	633
Feb		96.35	+0.02			0	139
Mar		96.27	+0.02			0	100
Apr		96.24	+0.02			0	50

■ THREE MONTH EUROLIRA FUTURES (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	94.81	94.87	+0.05	94.88	94.81	6321	155602
Jun	95.28	95.35	+0.07	95.39	95.28	2574	129171
Sep	95.52	95.59	+0.08	95.63	95.51	1769	93308
Dec	95.52	95.57	+0.05	95.59	95.47	1802	63357

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	98.28	98.28	-0.01	98.29	98.28	1123	72816
Jun	98.12	98.12	-0.01	98.14	98.13	866	30197
Sep	98.00	97.98	-0.01	98.01	97.98	375	15688
Dec	97.76	97.78	-	97.78	97.77	119	8046

■ THREE MONTH EUROYEN FUTURES (LIFFE) Y100m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar		99.09	-0.01			0	n/a
Jun		99.19	-0.01			0	n/a
Sep		99.21	-0.01			0	n/a

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	95.51	95.54	+0.03	95.55	95.51	360	8976
Jun		95.54	+0.03			0	6181
Sep	95.50	95.53	+0.03	95.53	95.50	75	6115
Dec	95.64	95.64	+0.03	95.64	95.64	5	4009

* LIFFE futures also traded on APT

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	CALLS Mar	CALLS Jun	CALLS Sep	PUTS Mar	PUTS Jun	PUTS Sep
9450	0.25	0.88	1.13	0.08	0.03	0.04
9475	0.10	0.65	0.91	0.18	0.05	0.07
9500	0.03	0.44	0.69	0.38	0.09	0.10

Est. vol. total, Calls 2173 Puts 0. Previous day's open int., Calls 160013 Puts 50874

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Dec 31		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.48	16.24	4.853	1.894	4772	5.472	19.90	496.2	411.4	21.42	3.937	1.640	3.863	2.699	350.9	2.452
Denmark	(DKr)	54.11	10	8.786	2.626	1.025	2582	2.961	10.77	268.5	222.6	11.59	2.130	0.888	2.090	1.460	189.9	1.327
France	(FFr)	61.59	11.38	10	2.989	1.166	2939	3.370	12.25	305.6	253.4	13.19	2.425	1.010	2.379	1.662	216.1	1.510
Germany	(DM)	20.61	3.808	3.346	1	0.390	983.3	1.127	4.100	102.2	84.77	4.413	0.811	0.338	0.796	0.556	72.31	0.505
Ireland	(I£)	52.81	9.760	8.575	2.563	1	2520	2.890	10.51	262.0	217.2	11.31	2.079	0.866	2.040	1.425	185.3	1.295
Italy	(L)	2.096	0.387	0.340	0.102	0.040	100	0.115	0.417	10.40	8.621	0.449	0.083	0.034	0.081	0.057	7.354	0.051
Netherlands	(Fl)	18.28	3.378	2.968	0.887	0.346	872.1	1	3.637	90.69	75.18	3.914	0.719	0.300	0.706	0.493	64.14	0.448
Norway	(NKr)	50.25	9.288	8.160	2.439	0.952	2398	2.750	10	249.4	206.7	10.76	1.978	0.824	1.941	1.356	176.4	1.232
Portugal	(Es)	20.15	3.724	3.272	0.978	0.382	961.7	1.103	4.010	100	82.90	4.316	0.793	0.331	0.778	0.544	70.72	0.494
Spain	(Pta)	24.31	4.492	3.947	1.180	0.460	1160	1.330	4.837	120.6	100	5.206	0.957	0.399	0.939	0.656	85.31	0.596
Sweden	(SKr)	46.70	8.630	7.582	2.266	0.884	2228	2.555	9.291	231.7	192.1	10	1.838	0.766	1.804	1.260	163.9	1.145
Switzerland	(SFr)	25.40	4.695	4.125	1.233	0.481	1212	1.390	5.054	126.0	104.5	5.440	1	0.417	0.981	0.686	89.14	0.623
UK	(£)	60.96	11.27	9.899	2.959	1.154	2909	3.336	12.13	302.5	250.8	13.06	2.400	1	2.355	1.645	213.9	1.495
Canada	(C$)	25.89	4.785	4.204	1.256	0.490	1235	1.417	5.152	128.5	106.5	5.544	1.019	0.425	1	0.699	90.86	0.635
USA	($)	37.05	6.847	6.016	1.798	0.702	1768	2.027	7.372	183.9	152.4	7.935	1.459	0.608	1.431	1	130.0	0.908
Japan	(Y)	28.50	5.266	4.627	1.383	0.540	1360	1.559	5.670	141.4	117.2	6.102	1.122	0.467	1.101	0.769	100	0.699
Ecu	-	40.79	7.538	6.622	1.979	0.772	1946	2.232	8.116	202.4	167.8	8.734	1.606	0.669	1.575	1.101	143.1	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	0.5615	0.5594	-0.0028	0.5620	0.5581	18,411	77,160
Jun	-	0.5612	-0.0028	-	0.5615	23	3,208
Sep	-	0.5639	-0.0028	-	0.5640	4	1,836

■ JAPANESE YEN FUTURES (IMM) Yen 12.5m per Yen 100

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	0.7762	0.7736	-0.0029	0.7785	0.7738	11,626	84,932
Jun	-	0.7842	-0.0030	-	0.7860	433	2,102
Sep	-	0.7947	-0.0031	-	-	65	262

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	0.6930	0.6897	-0.0036	0.6944	0.6895	10,161	41,531
Jun	0.6983	0.6967	-0.0036	0.6989	0.6970	9	859
Sep	-	0.7037	-0.0037	-	0.7046	1,006	1,102

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	1.6498	1.6486	-0.0028	1.6524	1.6350	10,987	30,426
Jun	1.6320	1.6400	-0.0028	1.6400	1.6260	24	1,320
Sep	-	1.6334	-0.0028	-	1.6260	7	4

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS Jan	CALLS Feb	CALLS Mar	CALLS Jun	PUTS Jan	PUTS Feb	PUTS Mar	PUTS Jun
9600	0.20	0.22	0.23	0.19	0	0.02	0.03	0.12
9625	0.04	0.05	0.07	0.07	0.09	0.10	0.12	0.25
9650	0	0.01	0.02	0.03	0.30	0.31	0.32	0.46
9675	0	0	0.01	0.01	0.55	0.55	0.56	0.69

Est. vol. total, Calls 0 Puts 500. Previous day's open int., Calls 262242 Puts 301883

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Mar	CALLS Jun	CALLS Sep	PUTS Mar	PUTS Jun	PUTS Sep
9850	0.06	0.06	0.07	0.27	0.44	0.59
9875	0.02	0.02	0.02	0.49	0.65	0.79

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 0 Puts 866

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	94.19	94.23	+0.04	94.24	94.19	70,497	484,577
Jun	94.16	94.21	+0.05	94.23	94.16	76,693	386,371
Sep	94.11	94.16	+0.05	94.18	94.11	29,282	285,402

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	94.96	94.98	+0.04	95.00	94.95	851	8,073
Jun	94.93	94.93	+0.04	94.95	94.93	96	1,349
Sep	-	94.90	+0.01	94.90	-	10	23

All Open interest figs. are for previous day

BASE LENDING RATES

	%		%		%
Adam & Company	7.25	Exeter Trust Limited	8.25	●Singer & Friedlander	7.25
Allied Irish Bank (GB)	7.25	Financial & Gen Bank	8.00	●Smith & Williamson	7.25
●Henry Ansbacher	7.25	●Robert Fleming & Co	7.25	Sun Banking Corp Ltd	7.25
Banco Bilbao Vizcaya	7.25	●Guinness Mahon	7.25	TSB	7.25
Bank of Cyprus	7.25	Habib Bank AG Zurich	7.25	United Bank of Kuwait	7.25
Bank of Ireland	7.25	●Hambros Bank	7.25	Unity Trust Bank Plc	7.25
Bank of India	7.25	Heritable & Gen Inv Bk	7.25	Whiteaway Laidlaw	7.25
Bank of Scotland	7.25	C. Hoare & Co	7.25	Yorkshire Bank	7.25
Barclays Bank	7.25	Hongkong & Shanghai	7.25		
Brit Bk of Mid East	7.25	Investec Bank (UK) Ltd	7.25		
●Brown Shipley & Co Ltd	7.25	Julian Hodge Bank	7.25		
Citibank NA	7.25	●Leopold Joseph & Sons	7.25		
Clydesdale Bank	7.25	Lloyds Bank	7.25		
The Co-operative Bank	7.25	Midland Bank	7.25		
Coutts & Co	7.25	NatWestminster	7.25		
Cyprus Popular Bank	7.25	●Rea Brothers	7.25		
Duncan Lawrie	7.25	Royal Bk of Scotland	7.25		
		Scottish Widows Bank	7.25		

● Members of London Investment Banking Association
* In administration

UK INTEREST RATES

LONDON MONEY RATES

Dec 31	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	7 1/2 - 1	[illegible]	7 1/2 - 7 3/8	[illegible]	[illegible]	7 1/4 - 7 1/8
Sterling CDs	-	-	[illegible]	[illegible] - 7 1/2	[illegible] - 7 1/2	[illegible] - 7 1/2
Treasury Bills	-	-	7 1/4 - 7 1/8	7 3/8 - 7 [illegible]	-	-
Bank Bills	-	-	7 1/4 - 7 1/8	[illegible]	7 3/8 - 7 1/4	-
Local authority deps.	[illegible] - 7	7 1/4 - 7 1/8	7 3/8 - 7 [illegible]	[illegible]	7 3/8 - 7 [illegible]	[illegible]
Discount Market deps	7 1/8 - 7	7 [illegible] - 7 [illegible]	-	-	-	-

UK clearing bank base lending rate 7 1/4 per cent from Nov 6, 1997

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2 1/2	6 1/2	6	6	4 1/4

Certs of Tax dep. under £100,000 is 2 1/2pc. Deposits withdrawn for cash 1 1/4pc.
Ave. tender rate of discount on Dec 24, 7.0054pc. ECGD fixed rate Stg. Export Finance. Make up day Dec 31, 1997. Agreed rate for period Jan 26, 1998 to Feb 24, 1998, Scheme III 8.85pc. Reference rate for period Nov 29, 1997 to Dec 31, 1997, Schemes IV & V 7.709pc. Finance House Base Rate 8pc from Jan 1, 1997

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	92.39	92.42	+0.05	92.43	92.39	5535	139665
Jun	92.50	92.52	+0.03	92.53	92.50	8564	113016
Sep	92.64	92.66	+0.04	92.67	92.64	1982	93499
Dec	92.83	92.85	+0.04	92.85	92.82	1321	79202
Mar	93.04	93.06	+0.04	93.08	93.04	973	66453

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Mar	CALLS Jun	CALLS Sep	PUTS Mar	PUTS Jun	PUTS Sep
9225	0.22	0.38	0.54	0.05	0.09	0.13
9250	0.07	0.20	0.35	0.15	0.18	0.19
9275	0.01	0.09	0.21	0.34	0.32	0.30

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 166289 Puts 151234

EMS EUROPEAN CURRENCY UNIT RATES

Dec 31	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Ireland	0.798709	0.771961	+0.000367	-3.35	6.21	23
Italy	1906.48	1942.03	+1.38	1.86	0.78	-14
Spain	163.826	167.388	+0.062	2.17	0.47	-15
Finland	5.85424	5.98726	-0.00228	2.27	0.38	-15
France	6.45863	6.61214	-0.00135	2.38	0.27	-20
Portugal	197.398	202.137	-0.092	2.40	0.25	-16
Denmark	7.34555	7.52797	-0.00319	2.48	0.17	-17
Austria	13.5485	13.9020	-0.0076	2.61	0.05	-19
Germany	1.92573	1.97632	-0.00062	2.63	0.03	-26
Belgium	39.7191	40.7675	-0.0131	2.64	0.02	-19
Netherlands	2.16979	2.22742	-0.0005	2.66	0.00	-20
NON ERM MEMBERS						
Greece	295.269	312.039	+0.039	5.68	-2.88	-
UK	0.793103	0.666755	+0.000562	-15.93	22.11	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. 17/9/92: Sterling suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Jan	CALLS Feb	CALLS Mar	PUTS Jan	PUTS Feb	PUTS Mar
1.650	1.32	2.31	2.79	0.91	2.11	2.79
1.660	0.84	1.84	2.38	1.44	2.60	3.35
1.670	0.50	1.45	1.98	2.10	3.21	-

Previous day's vol., Calls 0 Puts 66. Prev. day's open int., Calls 23,043 Puts 23,187

■ PHILADELPHIA SE D-MARK/$ OPTIONS DM62,500 ($ per DM)

Strike Price	CALLS Jan	CALLS Feb	CALLS Mar	PUTS Jan	PUTS Feb	PUTS Mar
0.555	0.74	1.11	1.36	0.27	0.54	0.73
0.560	0.45	0.82	1.10	0.47	0.78	0.96
0.565	0.26	0.60	0.86	0.78	1.04	1.23

Previous day's vol., Calls 11 Puts 525. Prev. day's open int., Calls 8,335 Puts 17,163

■ OTHER CURRENCIES

Dec 31	£	$
Czech Rp	56.9981 - 57.1040	34.6460 - 34.7010
Hungary	335.913 - 336.130	204.190 - 204.280
Iran	4936.80 - 4935.30	3000.00 - 3000.00
Kuwait	0.5014 - 0.5024	0.3048 - 0.3053
Poland	5.7908 - 5.8090	3.5200 - 3.5300
Russia	9865.86 - 9870.31	5997.00 - 5998.00
U.A.E.	6.0415 - 6.0441	3.6724 - 3.6729

■ Pound in New York

Dec 31	—Close—	—Prev. close—
£ spot	1.6515	1.6580
1 mth	1.6489	1.6538
3 mth	1.6444	1.6489
1 yr	1.6255	1.6308

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Wednesday, December 31, 1997. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	7815.42	4750.00	2641.66	3653.14
Albania	(Lek)	240.221	146.000	81.1968	112.287
Algeria	(Dinar)	96.2916	58.5236	[illegible]	45.0095
Andorra	(French Fr)	9.8985	6.0160	3.3458	4.6268
	(Sp Peseta)	250.784	152.420	84.7698	117.224
Gibraltar	(Gib £)	1	0.6078	0.3380	0.4674
Greece	(Drachma)	466.802	283.710	157.789	218.197
Greenland	(Danish Krone)	11.2864	6.8474	3.8082	5.2662
Grenada	(E Carib $)	4.4425	2.7000	1.5016	2.0765
Guadeloupe	(French Fr)	9.8985	6.0160	3.3458	4.6268
Pakistan	(Pak. Rupee)(4)	72.4058	44.0060	24.4743	33.8443
Panama	(Balboa)	1.6454	1	0.5562	0.7691
Papua New Guinea	(Kina)	2.8791	1.7498	0.9732	1.3457
Paraguay	(Guarani)	3702.04	2250.00	1251.33	1730.44
Peru	(New Sol)	4.4853	2.7260	1.5161	2.0965

[illegible]

Abbreviations: (A) Free rate; (b) Market rate; (c) Official rate; (n) Parallel rate; (f) Tourist rate; (u) Currency fixed against the US Dollar (v) Floating rate. [illegible] Some data derived from THE WM/REUTERS CLOSING SPOT RATES & Bank of America, Economic Department, London Trading Centre. [illegible] Wednesday, December 31, 1997

COMMODITIES AND AGRICULTURE

FT writers review a year in the markets dominated by El Niño and the economic crisis in south-east Asia

■ SOFTS – By Gary Mead

Weather plays tricks with prices

In soft commodities the year was largely dominated by an event that probably will overshadow much of the first half of 1998. Although on everyone's lips, El Niño – an abnormal warming of the eastern Pacific Ocean, which can create havoc in the global climate – played tricks with commodity prices, with some defying expectations and surging ahead of others.

Cocoa futures started the year struggling to rise above £855 a tonne on the London International Financial Futures Exchange, but by July had risen more than 20 per cent, to top £1,140 a tonne, reflecting fears of a big deficit and investment fund buying. The highest price on Liffe in almost a decade was reached in September, at £1,186, and the £1,000 level was secure for the rest of the year.

At the start of the year coffee quickly broke through $1,300 a tonne on Liffe, on reports of a Brazilian crop possibly 30 per cent lower than in 1996-97. By the third week of January coffee futures had gained $291 since the start of the year, to $1,520 a tonne.

By May 20 arabica coffee futures on New York's Coffee, Sugar and Cocoa Exchange were at 20-year highs, on concern about frost damage to the Brazilian crop. Although there were no signs of a shortage in robusta beans – the Liffe-traded coffee – futures reached $2,260 a tonne.

But profit-taking quickly eroded those peaks. The week ending June 7 saw Liffe coffee futures lose 32 per cent, to $1,815 a tonne; despite El Niño wreaking severe drought upon Indonesia's robusta crop, the price failed to recover the dizzy heights of May, trading between $1,600 and $1,700 for much of the rest of the year.

Freight futures on the Liffe-based Baltic Freight Index enjoyed a volatile year – ranging from 1,598 to 992 – but continued to struggle to achieve support, with an 18 per cent drop in volume in the first nine months and an average daily traded volume of less than 200 lots. Liffe intends reviewing the contract in 1998. Meanwhile, moves by shipping brokers interested in developing a tanker-based freight contract proceeded apace.

Sugar futures traded within a narrow range on both Liffe and the CSCE, and rubber prices also stayed within a narrow band; neither of them showed much sign of being affected by El Niño by the end of the year, although the picture could be very different in 1998.

Among the more esoteric commodities white pepper was the focus of intense speculation, soaring to almost $10,000 a tonne, doubling in price since mid-1996. The main factor was intense speculation over next year's Indonesian harvest, which may – or may not – be badly affected by drought.

Another attempt was made to introduce a pulp futures market, this time with greater apparent success than in the past. The OMLX exchange established in London a pulp futures contract, traded electronically.

■ METALS – By Kenneth Gooding

LME contends with three squeezes at once

During an eventful year in the metals markets, the gold price fell to an 18-year low, palladium jumped to a 17-year high and on the London Metal Exchange three of the seven metals traded – aluminium, copper and zinc – were gripped by squeezes.

Traders say it was probably the first time the LME had seen three squeezes at once. The LME board took determined action in August and September to ease the squeezes in aluminium and zinc.

Zinc prices had started rising after reports surfaced that Chinese smelters had gone short (selling metal they did not have, hoping to buy it later at cheaper prices). But prices soared instead. When traders heard Chinese companies were short of metal, they snapped up supplies, exacerbating the shortage, or squeeze.

Glencore, the Swiss trading group, was said to have bought control of substantial stocks. Willy Strothotte, chairman, denied he was profiting unfairly: "We don't believe in cartels and squeezes. But if we are sometimes cautious [buying metal] so we can cover our needs, that has to be accepted."

In aluminium, shortages developed after Glencore bought metal on the LME at a time when Barclays Metals, a subsidiary of the UK bank, was holding aluminium stocks off the exchange from which it was supplying customers.

Unfortunately for Glencore, it sought particular grades that were in short supply so prices for immediate delivery soared above those for metal for delivery in three months.

By the end of the year the squeezes had evaporated as turmoil in Asian financial markets developed and it became clear this would hit demand. US investment funds sensed the time had come to withdrew from the market or to sell short.

Many of the same funds already had made a fortune shorting gold, helping drive down prices steadily. Sentiment was gloomy as fears about big sales by central banks gripped the market and three disposals – by the Netherlands, Australia and Argentina – were revealed.

Gold lost nearly a quarter of its value during the year, falling by $90 an ounce to trade at $281.15 on December 9, its lowest since August 1979.

Palladium and platinum had a roller-coaster year. In the first six months Russia, the biggest palladium producer, failed to export any of the metals because of bureaucratic bungles and palladium's price in August shot up to a 17-year high.

Platinum was also helped by the Russian problems but by December it was at a 4½-year low because of worries about the Asian market turmoil and suggestions that Russia was selling as much as possible before year-end.

■ OIL – By Robert Corzine

Early strength unsustainable

Oil prices began the year strongly. The international bellwether Brent Blend approached $25 a barrel on London's International Petroleum Exchange in January, although such high levels proved unsustainable. But the early price spike resulted in a strong first quarter average for Brent of $21.40 a barrel, well up on the 1996 average of $20.82.

Oil exports under the Iraqi oil-for-food programme were one of the reasons for the steady fall in prices over the first half; in June Brent fell to $17.35 a barrel. But the unpredictability of President Saddam Hussein also bolstered prices over the summer, when he decided to suspend Iraqi oil exports until a new aid distribution deal could be struck with the United Nations.

Prices were also supported by the realisation that a number of oil development projects outside the Organisation of Petroleum Exporting Countries were suffering substantial delays.

The problems affecting non-Opec field developments forced the International Energy Agency steadily to revise downward its estimate of non-Opec output for the year. The IEA's consistently optimistic view on non-Opec output has been hotly debated within the international oil industry, given that its statistics and predictions are the accepted starting point for many oil price predictions.

The recovery in prices continued into the autumn, when Brent edged back towards $22 a barrel. Saudi Arabia's announcement that it wanted to increase output damped any bullishness in the run up to the winter.

The late November meeting of Opec reinforced the bearish tone to the market. The exporters group decided to lift its production ceiling by 10 per cent to 27.5m barrels a day just as the scale of the financial and economic upheaval in Asia, one of its main markets, began to be appreciated.

■ GRAINS

Wheat and corn return to earth

After the high-flying dramas of 1996, grain prices returned to earth last year. The cash price for wheat on the Chicago Board of Trade hovered between $3.20 and $3.80 a bushel for much of the period.

It broke out of this range briefly between March and May, but even then, top prices, at around $4.90 a bushel, were well below the $6-plus seen in 1996. Corn (or maize) was a similar story, remaining well below $3 a bushel for much of the year.

Underlying this stability was strong production worldwide; some rebuilding of grain stocks, which fell to 20-year lows in 1995; and, towards the end of 1997, a suspicion that the economic woes in Asia could dampen demand for grain.

The main countervailing factor was El Niño, the periodic weather pattern that can cause abnormally dry conditions in Australia, South Africa and parts of Asia, and heavy rains in parts of South America. In reality, while the current El Niño had some devastating social consequences in south-east Asia, its effect on grain production worldwide has not been significant.

Soyabeans began the year on an exciting note, surging from less than $7 a bushel to more than $8.60 in mid-March amid concern at low levels of inventories. This represented an eight-year peak but the prices proved unsustainable: in the face of strong production from South America and a record US soyabean crop, prices had fallen to around $6.80 by late December.

Nikki Tait

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1603-4	1627-8
Previous	1623.5-4.5	1646-7
High/low		1666/1650
AM Official	1603-4	1627-8
Kerb close		1651-2
Open int.	-	
Total daily turnover	-	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1360-70	1384-90
Previous	1380-85	1398-400
High/low		1405/1400
AM Official	1360-70	1384-90
Kerb close		1395-400
Open int.	-	
Total daily turnover	-	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	529-30	539-40
Previous	546-7	554-5
High/low		565/557
AM Official	529-30	539-40
Kerb close		564-5
Open int.	-	
Total daily turnover	-	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	5965-70	6060-65
Previous	5985-90	6075-80
High/low		6110/6070
AM Official	5965-70	6060-65
Kerb close		6070-75
Open int.	-	
Total daily turnover	-	

■ TIN ($ per tonne)

	Cash	3 mths
Close	5345-50	5370-75
Previous	5415-25	5440-45
High/low		5435/5415
AM Official	5345-50	5370-75
Kerb close		5410-20
Open int.	-	
Total daily turnover	-	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	1089-90	1113-3.5
Previous	1099.5-00.5	1121-2
High/low		1131/1107
AM Official	1089-90	1113-3.5
Kerb close		1107-8
Open int.	-	
Total daily turnover	-	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	1698.5-9.0	1728-9
Previous	1712-3	1740-41
High/low		1760/1746
AM Official	1698.5-9.0	1728-9
Kerb close		1747-8
Open int.	-	
Total daily turnover	-	

■ LME AM Official £/$ rate: n/a
LME Closing £/$ rate: n/a

Spot: n/a 3 mths: n/a 6 mths: n/a 9 mths: n/a

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	76.80	−0.15	78.00	76.80	1,091	3,771
Feb	77.55	−0.25	78.40	78.40	178	2,408
Mar	78.10	−0.40	79.30	78.00	3,901	35,366
Apr	78.70	−0.40	–	–	164	1,658
May	79.10	−0.35	80.20	79.40	210	5,382
Jun	79.65	−0.35	80.40	80.40	51	1,847
Total					5,795	70,744

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	288.90-289.40		
Opening	288.90-289.40		
Morning fix	289.20	174.722	420.352
Afternoon fix	-	-	-
Day's High	288.3-289.7		
Day's Low	288.7-289.1		
Previous close	289.90-290.40		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	3.94	6 months	4.00
2 months	3.95	12 months	4.00
3 months	3.96		

Silver Fix	p/troy oz.	US cts equiv.
Spot	362.40	599.50
3 months	366.30	603.30
6 months	367.80	603.30
1 year	371.15	604.50

Gold Coins	$ price	£ equiv.
Krugerrand	290.5-292.5	175-177
Maple Leaf	-	-
New Sovereign	67-70	40.5-42.5

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	289.2	−1.7	–	–	–	2
Feb	289.8	−1.7	291.9	288.2	15,567	89,218
Apr	291.6	−1.7	292.0	290.0	534	12,843
Jun	293.6	−1.7	294.0	291.7	221	11,848
Aug	295.6	−1.7	296.2	295.6	12	5,480
Oct	297.5	−1.6	–	–	597	2,989
Total					17,770	177,704

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	370.5	+3.8	371.0	368.0	121	1,082
Apr	368.5	+5.8	369.0	361.5	418	9,761
Jul	366.8	+6.3	368.0	361.0	3	313
Oct	368.5	+6.3	–	–	8	16
Total					2,501	11,165

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	203.15	−0.60	203.75	203.00	90	3,479
Jun	201.15	−0.65	202.00	202.00	–	295
Sep	199.15	−0.65	–	–	–	4
Total					389	3,778

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	593.3	−19.7	–	–	35	18
Mar	598.8	−19.7	617.5	580.0	13,072	68,841
May	600.3	−19.2	605.0	585.0	449	7,394
Jul	600.8	−19.2	620.0	590.0	119	7,398
Sep	600.8	−19.2	–	–	4	1,816
Dec	600.3	−19.2	603.0	590.0	286	7,325
Total					13,989	98,848

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, $/barrel)

	Sett price	Day's change	High	Low	Vol	Open int
Feb	17.64	+0.04	17.84	17.60	835	117.0k
Mar	17.83	+0.01	18.03	17.71	276	49,751
Apr	18.03	+0.01	18.20	17.98	851	27,801
May	18.21	+0.01	18.40	18.17	2,959	21,553
Jun	18.35	–	18.52	18.31	1,075	34,042
Jul	18.44	–	18.60	18.44	1,000	21,348
Total					71,508	411,814

■ CRUDE OIL IPE ($/barrel)

	Sett price	Day's change	High	Low	Vol	Open int
Feb	16.52	−0.15	16.62	16.50	8,800	71,503
Mar	16.71	−0.10	16.77	16.67	2,478	42,236
Apr	16.84	−0.08	16.90	16.78	464	18,470
May	16.95	−0.08	16.99	16.90	58	12,223
Jun	17.04	−0.08	17.06	17.05	289	19,088
Jul	17.12	−0.08	16.95	16.95	17	7,877
Total					12,422	189,872

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	49.08	−0.38	50.00	48.90	22,645	10,162
Feb	49.72	−0.18	50.35	49.40	18,609	57,205
Mar	49.87	−0.23	50.45	49.60	6,115	21,925
Apr	49.87	−0.18	50.40	49.80	2,810	13,498
May	49.77	−0.18	50.35	49.75	1,728	9,104
Jun	49.72	−0.18	50.30	43.90	2,839	12,128
Total					58,342	151,380

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	150.00	−1.00	151.00	149.75	1,617	24,711
Feb	151.50	−1.00	152.50	151.50	1,593	17,322
Mar	153.00	−1.00	153.50	153.00	426	10,739
Apr	154.00	−1.25	154.75	154.00	321	5,000
May	155.00	−1.25	155.75	155.00	216	3,186
Jun	155.75	−1.25	156.00	155.50	25	11,000
Total					n/a	n/a

■ NATURAL GAS IPE (1,000 therms; pence per therm)

	Sett price	Day's change	High	Low	Vol	Open int
Feb	16.080	−0.040	–	–	–	3,528
Mar	11.700	−0.050	11.700	11.700	50	2,310
Total					n/a	n/a

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu)

	Sett price	Day's change	High	Low	Vol	Open int
Feb	2.284	+0.029	2.285	2.235	10,033	42,212
Mar	2.230	+0.027	2.255	2.205	3,080	25,906
Apr	2.175	+0.020	2.185	2.160	1,888	12,747
May	2.165	+0.015	2.175	2.145	637	9,401
Jun	2.170	+0.015	2.175	2.155	787	8,357
Jul	2.175	+0.015	2.175	2.160	822	8,821
Total					21,510	181,843

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	52.81	−0.68	53.75	52.50	20,154	5,126
Feb	53.60	−0.36	54.35	53.20	12,773	37,686
Mar	54.20	−0.36	54.80	53.80	1,824	12,693
Apr	56.90	−0.26	57.15	56.70	2,425	13,354
May	56.50	−0.21	57.30	56.80	1,290	10,323
Jun	56.50	−0.16	56.80	56.75	358	8,004
Total					39,830	102,819

GRAINS AND OIL SEEDS

■ WHEAT LIFFE (100 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	80.80	−0.45	80.95	80.60	37	161
Mar	83.60	−0.25	83.60	83.60	7	3,005
May	85.60	−0.25	–	–	–	3,811
Jul	87.50	−0.25	–	–	–	478
Sep	80.25	–	–	–	–	38
Total					44	8,818

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	326.75	−2.00	329.50	325.50	10,664	66,690
May	333.50	−1.75	337.75	333.25	1,795	12,930
Jul	339.75	−2.00	342.50	339.50	1,732	20,239
Sep	348.00	−2.00	349.00	347.50	140	1,001
Dec	359.00	−1.00	360.00	359.00	67	2,841
Jul	372.00	+8.00	–	–	6	47
Total					14,395	88,742

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	265.00	−1.75	267.00	264.75	21,423	167,207
May	272.00	−1.75	274.00	271.75	3,639	49,452
Jul	277.50	−2.25	279.75	277.00	2,840	59,781
Sep	277.50	−2.00	279.25	277.25	439	7,008
Dec	281.00	−2.25	283.00	280.50	1,617	34,291
Mar	287.00	−2.25	289.25	286.50	166	1,291
Total					30,422	330,084

■ BARLEY LIFFE (100 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	74.80	–	–	–	–	66
Mar	77.50	–	77.50	77.50	8	1,455
May	76.50	–	–	–	–	20
Sep	77.50	–	–	–	–	6
Total					8	1,688

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	670.50	−10.75	683.00	670.00	18,457	17,347
Mar	676.25	−8.50	687.00	675.50	20,801	53,805
May	683.50	−8.00	692.50	682.50	1,756	26,683
Jul	689.00	−8.50	698.50	688.00	1,025	25,774
Aug	688.00	−6.50	694.00	687.00	46	4,208
Sep	677.00	−1.50	680.50	676.00	7	248
Total					43,288	128,166

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	24.79	−0.30	25.10	24.72	10,891	7,071
Mar	25.27	−0.22	25.50	25.15	12,544	54,581
May	25.63	−0.18	25.79	25.42	1,059	17,326
Jul	25.88	−0.02	25.90	25.65	705	12,333
Aug	25.63	−0.17	25.65	25.60	18	3,816
Sep	25.50	−0.18	25.60	25.50	40	1,329
Total					25,715	98,942

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	203.8	−3.4	208.7	203.0	11,528	15,053
Mar	201.5	−3.0	205.6	200.7	7,869	41,033
May	200.4	−2.8	204.0	200.3	1,213	24,543
Jul	202.0	−2.1	205.2	202.0	932	16,326
Aug	203.0	−1.6	204.2	203.0	420	5,141
Sep	203.5	−1.3	204.5	203.5	28	3,723
Total					21,898	118,220

■ POTATOES LIFFE (20 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	92.0	–	–	–	–	–
Apr	112.0	−4.0	115.0	112.0	18	1,073
May	122.0	−3.5	–	–	–	67
Jun	132.0	−3.5	–	–	–	–
Nov	56.0	–	–	–	–	–
Total					16	1,184

■ FREIGHT (BIFFEX) LIFFE ($10/index point)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	1216	+15	1210	1205	17	576
Feb	1225	+15	–	–	–	186
Mar	1215	–	–	–	–	12
Apr	1275	–	–	–	–	444
Jul	1150	–	1135	1135	5	123
Total					22	1,498

	Close	Prev
BFI	1231	1228

PULP AND PAPER

■ PULPEX OMLX (US$; 24 air dry tons)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	483.00	+5.50	483.50	477.75	56	350
Jun	504.50	+5.75	504.50	498.30	32	277
Total					88	627

FUTURES DATA
All futures data supplied by CMS.

Minor metals from Metal Bulletin European free market, $ per lb in warehouse, unless otherwise stated (last week's in brackets, where changed). Antimony: 99.65%, $ per tonne, 1,540-1,610. Bismuth: min. 99.99%, tonne lots 3.00-3.25 (3.10-3.25). Cadmium: min. 99.95%, cents a pound, 30.00-40.00. Cobalt: MB free market, min. 99.8%, 25.00-25.50; min. 99.3%, 17.70-18.40 (18.00-18.50). Mercury: min. 99.99%, $ per 76 lb flask, 140-150. Molybdenum: drummed molybdic oxide, 3.80-3.95 (3.75-3.90). Selenium: min 99.5%, 2.00-3.00. Tungsten ore: standard min. 65%, $ per tonne unit (10kg) WO₃, CIF, 40-52. Vanadium: min. 98%, CIF, 5.50-6.80 (5.20-5.60). Uranium: Nuexco unrestricted exchange value, 8.65.

SOFTS

■ COCOA LIFFE (10 tonnes; £/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	1067	+33	1038	1038	48	78
Mar	1082	+29	1082	1082	1,291	56,518
May	1100	+18	1100	1085	76	26,117
Jul	1119	+18	1116	1110	100	12,047
Sep	1137	+16	1136	1128	1,121	21,942
Dec	1167	+15	1167	1167	65	24,846
Total					2,689	168,170

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	1630	−11	1641	1629	1,163	40,581
May	1661	−18	1673	1660	305	21,019
Jul	1686	−10	1694	1685	84	8,247
Sep	1710	−10	1720	1720	73	5,815
Dec	1732	−17	1740	1730	136	9,084
Mar	1761	−12	–	–	206	8,533
Total					2,878	88,885

■ COCOA (ICCO) (SDR's/tonne)

Dec 30	Price	Prev. day
Daily	1271.36	1276.26

■ COFFEE LIFFE (5 tonnes; $/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	1747	+33	1761	1725	984	5,536
Mar	1732	+30	1746	1710	1,436	25,572
May	1712	+27	1725	1690	339	7,734
Jul	1705	+27	1714	1690	42	1,621
Sep	1705	+27	–	–	–	647
Nov	1710	+27	–	–	–	32
Total					2,801	41,042

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	162.45	−2.35	167.50	159.50	2,139	16,466
May	157.75	−1.75	161.50	155.50	384	5,898
Jul	152.00	−1.45	155.50	150.00	133	2,815
Sep	148.25	−1.50	148.00	148.00	64	1,348
Dec	141.75	−1.00	143.00	143.00	16	1,229
Mar	139.25	−1.00	–	–	2	293
Total					2,738	27,901

■ COFFEE (ICO) (US cents/pound)

Dec 30		Prev. day
Comp. daily	128.84	125.87
15 day average	130.12	130.37

■ WHITE SUGAR LIFFE (50 tonnes; $/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	308.6	−0.2	309.5	308.5	123	22,532
May	312.1	+0.3	313.0	312.0	18	8,817
Aug	314.4	+0.6	–	–	–	4,914
Oct	309.3	+0.7	–	–	–	4,466
Dec	310.3	+1.5	–	–	–	168
Total					141	39,174

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	12.22	−0.06	12.31	12.21	4,414	97,315
May	11.99	−0.06	12.07	11.98	1,087	33,007
Jul	11.80	−0.06	11.87	11.59	646	30,420
Oct	11.55	−0.04	11.60	11.55	683	26,483
Mar	11.44	−0.03	11.47	11.44	220	7,457
May	11.40	−0.02	11.42	11.40	140	1,210
Total					7,215	197,276

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	67.07	−0.08	67.35	66.90	3,581	42,278
May	68.50	+0.10	68.75	68.30	674	14,924
Jul	69.78	–	70.08	69.70	728	14,886
Oct	71.80	−0.03	71.80	71.80	4	1,363
Dec	72.55	+0.05	72.60	72.50	163	13,525
Mar	73.68	+0.05	–	–	–	458
Total					5,175	87,878

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	80.00	−2.10	81.60	79.60	3,847	3,587
Mar	83.70	−2.15	85.30	83.10	6,026	28,757
May	86.80	−2.60	88.65	86.60	1,076	6,225
Jul	90.10	−2.50	91.40	90.10	314	3,980
Sep	93.20	−2.50	94.35	94.35	89	1,673
Nov	95.70	−2.50	97.50	96.50	2	1,561
Total					11,294	44,772

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open interest totals are for all traded months.

INDICES

■ Reuters (Base: 18/9/31 = 100)

Dec 31	Dec 30	month ago	year ago
1752.4	1750.3	1795.5	[illegible]

■ CRB Futures (Base: 1967 = 100)

Dec 30	Dec 29	month ago	year ago
231.54	231.54	–	–

■ GSCI Spot (Base: 1970 = 100)

Dec 30	Dec 29	month ago	year ago
175.73	176.40	188.68	225.36

LME WAREHOUSE STOCKS (tonnes)

Aluminium	−875	to	624,900
Aluminium alloy	−140	to	42,800
Copper	+2,300	to	335,025
Lead	−50	to	111,625
Nickel	−12	to	66,240
Zinc	−175	to	491,600
Tin	+100	to	12,950

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Feb	66.450	+0.100	66.700	66.300	6,392	48,484
Apr	68.775	+0.225	69.050	68.550	3,676	28,413
Jun	68.275	+0.100	68.525	68.175	993	15,590
Aug	68.775	−0.025	69.100	68.750	759	8,620
Oct	71.675	–	71.825	71.650	60	1,963
Dec	72.800	–	72.800	72.800	12	396
Total					10,779	101,276

■ LEAN HOGS CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Feb	57.700	−0.150	57.925	57.650	3,210	21,458
Apr	58.250	−0.275	58.850	58.175	1,998	8,050
Jun	63.575	−0.500	64.100	63.525	1,165	8,086
Jul	62.775	−0.425	63.300	62.725	247	1,696
Aug	60.950	−0.275	61.300	60.600	55	392
Oct	57.600	–	57.650	57.600	100	667
Total					6,605	38,731

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Feb	50.025	−1.925	51.450	49.500	1,169	5,659
Mar	49.750	−1.825	51.100	49.725	244	1,474
May	50.800	−1.800	51.650	50.500	98	1,104
Jul	49.975	−2.125	51.250	49.750	87	667
Aug	46.080	−1.850	47.300	46.050	19	117
Total					1,607	9,062

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME	Feb	May	Feb	May
1550	-	-	-	-
1575	-	-	-	-
1600	-	-	-	-
■ COPPER (Grade A) LME	**Feb**	**May**	**Feb**	**May**
1750	-	-	-	-
1800	-	-	-	-
1850	-	-	-	-
■ COFFEE LIFFE	**Jan**	**Mar**	**Jan**	**Mar**
1650	20	[illegible]	12	49
1700	3	101	45	69
1750	-	76	92	94
■ COCOA LIFFE	**Mar**	**May**	**Mar**	**May**
1025	70	97	13	22
1050	58	81	21	31
1075	39	66	32	41
■ BRENT CRUDE IPE	**Feb**	**Mar**	**Feb**	**Mar**
1650	36	65	33	44
1700	15	14	63	70
1750	5	27	106	106

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel)

		+or-
Dubai	$14.83-4.99	-0.23
Brent Blend (dated)	$16.05-6.06	-0.055
Brent Blend (Feb)	$16.63-6.64	-0.056
W.T.I.	n/a	

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$177-179	
Gas Oil	$151-153	-1
Heavy Fuel Oil	$77-79	
Naphtha	$161-163	-0.5
Jet fuel	$172-174	-1
Diesel	$157-159	-2

■ NATURAL GAS (Pence/therm)

Bacton (Jan)	16.05-16.15	-0.15

Petroleum Argus. Tel. London (0171) 359 8792

■ OTHER

Gold (per troy oz)♣	$289.15	-1.00
Silver (per troy oz)♣	597.00c	-29.5
Platinum (per troy oz.)	$362.00	-1.00
Palladium (per troy oz.)	$204.00	+1.00
Copper	82.0c	
Lead (US prod.)	45.00c	
Tin (Kuala Lumpur)	20.61r	
Tin (New York)	255.5	+2.00
Cattle (live weight)	91.99p	-3.36*
Sheep (live weight)	85.70p	-5.41*
Pigs (live weight)†	71.60	+0.53*
Lon. day sugar (raw)	$297.40	-0.90
Lon. day sugar (wte)	$302.60	-0.70
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	£109.00	
Wheat (US Dark North)	Unq	
Rubber (Dec)♥	54.50p	
Rubber (Jan)♥	54.50p	
Rubber (KL RSS No1)	277.0z	-0.5
Coconut Oil (Phil)§	660.0y	
Palm Oil (Malay.)§	555.0	
Copra (Phil)§	$387.5y	
Soyabeans (US)	183.5	
Cotton Outlook'A' index	73.15c	-0.10
Wooltops (64s Super)	389p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. y Jan/Feb. w Jan. ♥London Physical. § CIF Rotterdam. ♣ Bullion market close. * Change on week. †Based on 588 head of pigs sold.

JOTTER PAD

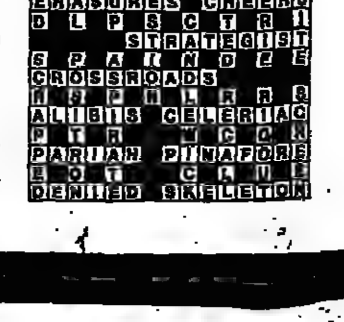
CROSSWORD

No.9,570 Set by DINMUTZ

ACROSS
1 Calm down excitable old English host (6)
4 Bill taking line of agreement (6)
8 Sweets for male and female in 1 down assortment (7)
9 Hummel's opening with a flute arrangement that is detestable (7)
11 Film-script Presley can present in a novel form (10)
12 Twist Bros, making the rounds (4)
13 Safe in a prison cell? (5)
14 Condemns light book at the end (8)
16 Groups of musicians carrying equipment for outlaws in the mountains (8)
18 Moves slowly in the borders (5)
20 Doctor after morning rounds? (4)
21 Tender name, perhaps (10)
23 Apportion jade dug out (7)
24 Crackpot subordinate to jester (7)
25 Warms the toast (6)
26 Go green, perhaps, before end of July (6)

DOWN
1 Oct is fixed for the resigned sort (5)
2 The bill, we hear, duty-free. That is eccentric! (7)
3 Traffic accident can be touch-and-go (3-3-3)
5 Daily, you start by being cautious (5)
6 Exacting individual turning sour (7)
7 Tums bared, made ready for tattoos (9)
10 Shipbuilding area at which Bonnie stood? (9)
13 Displaced person shortly to be admitted to America as an ambulanceman (9)
15 Surgery in action? (9)
17 Drop universally left in earth (8)
19 Stroller after midnight is one who takes chances (7)
21 Being keen, agree to differ (5)
22 Unpleasant name given to a corrupt place (5)

Solution 9,569



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● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (FSA RECOGNISED)

[illegible]

BERMUDA (REGULATED)(**)

[illegible]

GUERNSEY (FSA RECOGNISED)

[illegible]

GUERNSEY (REGULATED)(**)

[illegible]

IRELAND (FSA RECOGNISED)

[illegible]

IRELAND (REGULATED)(**)

[illegible]

ISLE OF MAN (FSA RECOGNISED)

[illegible]

ISLE OF MAN (REGULATED)(**)

[illegible]

JERSEY (FSA RECOGNISED)

[illegible]

JERSEY (REGULATED)(**)

[illegible]

LUXEMBOURG (FSA RECOGNISED)

[illegible]

FT MANAGED FUNDS SERVICE

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LUXEMBOURG (REGULATED)(**)

OFFSHORE INSURANCES

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OTHER OFFSHORE FUNDS

Zweig-DiMenna International Limited

NAV Nov 30 — 520246

● MANAGED FUNDS NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % allow for all buying expenses.
Prices of certain older insurance linked plans subject to capital gains tax on sales.
FSA - Financial Services Authority
(*) Funds not FSA recognised. The regulatory authorities for these funds are
Bermuda - Bermuda Monetary Authority
Guernsey - Financial Services Commission
Ireland - Central Bank of Ireland/Irish Department of Enterprise and Employment
Isle of Man - Financial Supervision Commission
Jersey - Financial Services Department
Luxembourg - Institut Monétaire Luxembourgeois.
Initial charge - Charge made on sale of units.
Selling price - Bid or redemption price.
Buying price - Offer or issue price.
OEIC - Open Ended Investment Company.
Time - The time shown alongside the fund manager's name is the time of the fund's valuation point unless indicated by one of the following symbols:

(●) 0001 to 1100 hours
(♣) 1101 to 1400 hours
(♦) 1401 to 1700 hours
(♠) 1701 to midnight.
E Exit charge on sale of units.
C Manager's periodic charge deducted from capital.
H Historic pricing F - Forward pricing
h Distribution free of UK taxes.
p Periodic premium insurance plans.
s Single premium insurance.
u Designated as a UCITS (Undertakings for Collective Investment in Transferable Securities).
x *Offered price includes all expenses except agent's commission.*
z Previous day's price.
Ψ Guernsey gross.
♦ Yield before Jersey tax.
† Ex-subdivision. xd - Ex-dividend.
‡ Only available to charitable bodies.
⊕ Yield column shows annualised rates of NAV increase.

The fund prices published in this edition are also available at the Financial Times' web site, http://www.FT.com

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

BANKS, RETAIL

BREWERIES, PUBS & REST

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

CHEMICALS - Cont.

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ENGINEERING

ENGINEERING - Cont.

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

EXTRACTIVE INDUSTRIES - Cont.

FOOD PRODUCERS

GAS DISTRIBUTION

HEALTH CARE

HEALTH CARE - Cont.

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INV TRUSTS SPLIT CAPITAL

LONDON SHARE SERVICE

OTHER INVESTMENT TRUSTS

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

MEDIA - Cont.

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

PAPER, PACKAGING & PRINTING

[illegible]

PHARMACEUTICALS

[illegible]

PROPERTY

[illegible]

PROPERTY - Cont.

[illegible]

RETAILERS, GENERAL - Cont.

[illegible]

SUPPORT SERVICES

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

AIM

[illegible]

AIM - Cont.

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

	Notes	Price	+ or -	52 week high	low	Volume '000s	Yld Gr's	P/E
Anglo Am Ind R		[illegible]	[illegible]	[illegible]	[illegible]	-	3.0	[illegible]
Barlow		[illegible]	[illegible]	[illegible]	[illegible]	-	[illegible]	[illegible]
Gold Flds Prop R		1115	+15	[illegible]	1105	-	[illegible]	9.2
SA Brews		[illegible]	[illegible]	[illegible]	[illegible]	-	2.3	-
Standard Bank		[illegible]	[illegible]	[illegible]	[illegible]	-	2.1	-
Tiger Oats		[illegible]	[illegible]	1100	740	-	2.4	[illegible]
Tongaat-Hulett		[illegible]	+8	780	719½	-	2.4	[illegible]

PROPERTY - Cont.

[illegible]

SUPPORT SERVICES - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

TELECOMMUNICATIONS

[illegible]

RETAILERS, GENERAL

[illegible]

TEXTILES & APPAREL

[illegible]

TOBACCO

[illegible]

TRADED INDEX SECURITIES

	Notes	Price	+ or -	52 week high	low	Volume '000s	Yld Gr's	P/E
FTSE 100 TRAKS		[illegible]	....	[illegible]	2472	-	-	-

GUIDE TO LONDON SHARE SERVICE

Prices and trading volumes for the London Share Service are delivered by Extel, part of Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. For FTSE 100 index constituents and reserves marked † in the Trading Volume table on the LSE page, last trade prices at or prior to 4:30pm market close are shown, as these shares are now traded on the Stock Exchange Electronic Trading System ("SETS"). Highs and lows are based on intra-day mid-prices/last trades over a rolling 52 week period

Trading Volumes are end of day accumulated totals. Dashes indicate that either no trade has taken place during the day or the data is not available for those particular securities. Volumes shown for foreign securities are based on London trading.

Where stocks are denominated in currencies other than sterling, this is indicated after the name. Prices shown for some of these foreign securities are converted into sterling from latest available local Stock Exchange prices.

Symbols referring to dividend status appear in the noted column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Earnings used in calculations are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- * Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ♦ Figures or report awaited
- ♦ Rule 2.1(a)(v) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- ¤ Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
z Dividend yield includes a special payment.
F Yield based on prospectus or other official estimates for 1996-97
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1997
K Yield based on prospectus or other official estimates for 1996
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1997-98.
N Dividend is paid in whole or part as a FID (Foreign Income Dividend)
R Forecast annualised yield, p/e based on prospectus or other official estimates.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xf ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1425 a year for each security shown, subject to the Editor's discretion

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The share prices printed on these pages are also available on the internet at http://www.FT.com.

LONDON STOCK EXCHANGE

Footsie fails to hold on to early 50-point gain

MARKET REPORT

By Steve Thompson, UK Stock Market Editor

Expectations of a late burst of heavy futures-related activity and the possibility of a series of OTC (individually tailored derivatives) expiries were largely unfulfilled as the curtain came down on 1997 on Wednesday.

There was some concentrated *arbitrage* activity just before the close, which was brought forward by the Stock Exchange to *12.10pm, but dealers insisted* there was nothing untoward behind market moves.

"It was all very orderly, there was no bad behaviour," said a senior dealer at one of the European investment banks. "We were braced for a fireworks display, but it simply didn't happen."

Stock exchange observers kept a close watch on any so-called rogue prices on the electronic order book trading system to try and avoid any repetition of the alleged index-rigging that was said to have occurred some weeks ago.

The late flurry of business ensured, however, that the FTSE 100 ended the session only marginally higher on balance.

Earlier it had raced ahead and looked as if it would threaten the 5,200 level. The market's initial strength derived from the latest performance from *Wall Street* overnight where the Dow Jones Industrial Average jumped 123 points to recross 7,900, its second straight three-figure gain.

There were no Tokyo or Seoul markets to disturb Europe – both were closed for holidays – and Hong Kong behaved reasonably well, finishing only marginally easier on the session.

Dealers said that Wall Street and London seemed much more relaxed about the situation in South Korea where the international banks have agreed to roll over short-term bank loans and after the early release of £2bn of financing arranged by the IMF.

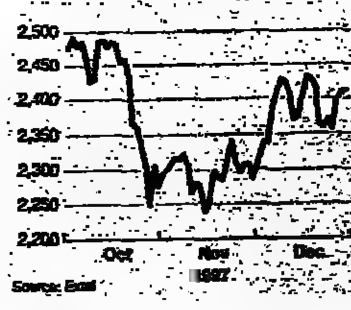
The FTSE 100 index closed the *session a net 3.2 ahead at 5,135.5* having peaked at 5,182.3, up 50 points, just after the opening.

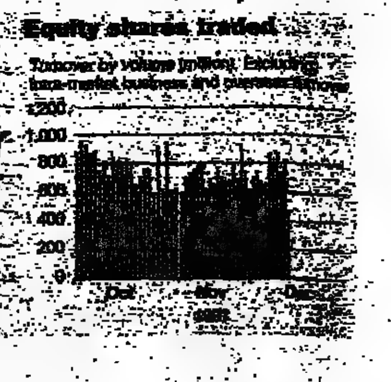
The underlying strength of the market was demonstrated by good gains in the second-liners and smallcap stocks. The FTSE 250 rose 19.5 to 4,787.6 and the FTSE SmallCap 5.9 to 2,313.3.

Turnover in the equity market was extremely low, only nudging over the 200m mark during the last 30 minutes to finish at 216.6m shares.

Over a year highlighted by the heavy buying of UK stocks by US investors, plus a series of demutualisations of former building societies, the FTSE 100 has risen 1,015.3, or 24.6 per cent, leaving *the FTSE 250* and SmallCap floundering in its wake. The former rose 297.4, or 6.6 per cent *over the 12 months, slightly out*performing the SmallCap which added 129.8 or 5.9 per cent. The FTSE All-Share index *gained* 396.71 or 19.7 per cent to finish the year at 2,013.66.

The value and volume of equity business conducted on the London Stock Exchange reached record levels in 1997. Both UK and international equity turnover value set new highs in 1997 on the London Stock Exchange, up 36 and 67 per cent respectively to £1.01bn and £1.74bn.





Indices and ratios

FTSE 100	5135.5	+3.2	FT 30	3289.3	-3.4
FTSE 250	4787.6	+19.5	FTSE Non-Fins p/e	20.04	20.02
FTSE 350	2469.7	+3.2	FTSE100 Fut Mar	5183.0	-10.0
FTSE All-Share	2411.00	+3.26	10 yr Gilt yield	6.37	6.28
FTSE All-Share yield	3.23	3.23	Long gilt/equity yld ratio	1.98	1.99

Best performing sectors

1 Extractive Inds .... +1.0
2 Life Assurance .... +1.0
3 Other Financial .... +0.9
4 Electronic & Elec .... +0.7
5 Food Producers .... +0.6

Worst performing sectors

1 Gas Distribution .... -2.3
2 Engineering: Vehicles .... -1.5
3 Oil Exploration & Prod .... -0.6
4 Household Goods .... -0.5
5 Leisure & Hotels .... -0.4

Squeeze lifts Royal Bank

By Peter John

Royal Bank of Scotland, one of the stronger blue-chip stocks over the past 12 months and a particularly lively stock recently, ended 1997 with a near 4 per cent gain on the day.

The best performers in the FTSE 100 and FTSE 250 indices, Royal Bank improved 29 to 773p. At that level, it has registered a 36 per cent rise this year.

It has been the subject of persistent takeover specula*tion despite continued insis*tence that it wishes to retain its independence and despite acquiring Birmingham Midshires Building Society for £630m in August.

And, in November, it published figures which showed that all divisions apart from the Direct Line Insurance arm were steaming ahead. *This week* it has been featured among the broker tips for 1998.

However, on Wednesday, gains largely reflected a squeeze in the market. And Royal's performance pales in comparison with its Caledo*nian rival, Bank of Scotland*, which had seen an annual jump of 85 per cent by the start of trading.

The year's two top performers are Amvescap – up 95.3 per cent – and Nycomed Amersham – up 95 per cent.

Bottom of the pile is BTR, which has fallen 35 per cent. Struggling to turn itself from an unloved conglomerate into a pure engineering business, BTR issued at the beginning of December its fifth profits warning in just over three years. On Wednesday, the shares were flat at 184p with turnover *heavy at 7.6m shares.*

The harsh climate in the textiles industry was underlined yet again as Coats Viyella, the sector leader, stood out as the worst performer in the FTSE 250.

The slide of 1¼ to 91½p *marks a further notch down* in a decline that has taken the stock 40 per cent lower *this year and almost 70 per* cent since the peak in 1993.

However, there were signs that some big investment institutions are about to give the company a chance. PDFM, which is generally considered an aggressive stock picker in spite of its overall bearish market view of the market, announced on Wednesday it had bought 5m shares, or just under one per *cent of the equity.*

The purchase takes the fund manager's stake up to 16.4 per cent.

Elsewhere in the sector, Dawson International was *restrained at 67½p as a note* of caution from Wise Speke, the north of England broker, percolated through the system. Speke said that while the interim figures showed progress was being achieved much of the "hoped for *financial kudos" was under*mined by currency shifts.

Sector consolidation hopes spurred Prudential Corp, 12¼ higher at 734.

Completion of a £200m disposal helped ICI firm a penny to 951p. The chemicals group is selling its UK fertiliser business to Terra Industries of the US. ICI expects to make an exceptional gain of £140m from the sale.

BA celebrates

British Airways celebrated the company's victory in the *anti-trust fight with US Air*ways with a rise of 4 to 560p.

Profit-taking was said to be behind weakness in GKN which is buying Armstrong Wheel & Rim Manufacturing of the US for £31.3m. The shares fell 28 to £12.47.

Seasonal influences supported Signet, firmer at 28¾p. Bid speculation lifted Southern Electric 12 in early trading but the late sell-off in the market saw the stock end a net 7 lower at 513p.

Provident Financial climbed 20½ to 797p in belated response to a press tip for 1998.

Logica were wanted and *advanced 27½ to £11.57½ as* buyers looked forward to the launch of the new LSE IT *index.*

George Wimpey moved ahead 3¼ to 106 following press comment that the shares are too cheap.

Recently firm Danka Business succumbed to profit-taking and the shares, which have fallen 55.6 per cent over the past year, eased to 235.

Persimmon edged 2 lower to 188½p in reaction to "avoid" advice in the press while worries *about Christ*mas sales continued to *unsettle Aim-quoted* La Senza, 3 down at 17.

Tradepoint dropped 10 to 51½p in the absence of support, while Culver Holdings, newly demerged from Wyndeham Motor Group, started life at 32p and closed at 35½p. Longmead, placed at 135p, scored a premium of 7½ at 142½ in first-time dealings.

Reed International lifted 4 to 610p ahead of an announcement it is to sell its IPC magazines unit to H. Bauer *Publishing of Germany.*

FTSE GOLD MINES INDEX

	Dec 31	% chg since 31/12/96	Mid Cap Sbs	% of Gold Mines	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (33)	1098.22	-42.0	29.17	100.00	2.81	-	1907.49	903.02
■ Regional Indices								
Africa (15)	1104.51	-46.1	6.74	23.10	6.38	19.63	2333.56	921.78
Australasia (6)	1156.18	-47.9	3.06	10.48	3.12	18.16	2217.60	933.63
North America (12)	1041.95	-38.3	19.37	66.42	1.24	38.75	1780.66	894.94

FUTURES AND OPTIONS

■ FTSE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	5232.0	5183.0	-10.0	5242.0	5175.0	2450	58091
Jun		5242.0	-10.0			0	25

■ FTSE 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	4875.0	4874.0	+44.0	4875.0	4874.0	66	6400

■ FTSE 100 INDEX OPTION (LIFFE) (*5135) £10 per full index point

	4950 C	4950 P	5000 C	5000 P	5050 C	5050 P	5100 C	5100 P	5150 C	5150 P	5200 C	5200 P	5250 C	5250 P	5300 C	5300 P
Jan	242½	42½	200½	53½	168½	68½	133	82½	104	104½	77	131	54	163½	39	202
Feb	364	114	314½	127	278½	142½	245½	159½	213½	183½	189½	208½	163	233	139	262
Mar	383	153½	348	169½	316½	190½	286	210	255½	230½	225	251½	199½	278	177½	306½
Apr	432½	193	409	212	368	231½	336	251	304	271½	273	292½	249	318½	223½	237
Jun†			477	253			416	290			362	327			299	374

Calls 171 Puts 381

■ EURO STYLE FTSE 100 INDEX OPTION (LIFFE) £10 per full index point

	4975 C	4975 P	5025 C	5025 P	5075 C	5075 P	5125 C	5125 P	5175 C	5175 P	5225 C	5225 P	5275 C	5275 P	5325 C	5325 P
Jan	224	47	184	57	149	71½	117	89½	88	110½	64	136	44	166½	28½	200½
Feb	328½	114	284½	127	289	142	217	158½	187	178½	160½	201	134½	224½	111½	251
Mar	367	152½	324½	169	293	185½	261	204	232	226	212	253½	181½	272	158½	298½
Jun			469	270			416½	302½			349½	339			296	370½
Sept†			566	280			503½	388			388½	410½				

Calls 2,493 Puts 1,040 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months

FT 30 INDEX

	Dec 31	Dec 30	Dec 29	Dec 24	Dec 23	Yr ago	*High	*Low
FT 30	3289.3	3292.7	3278.0	3225.2	3241.8	2781.1	3430.3	2868.8
Ord. div. yield	3.42	3.42	3.43	3.49	3.48	4.14	4.22	3.29
P/E ratio net	21.19	21.23	21.15	20.79	20.94	17.19	22.33	15.80
P/E ratio nil	20.90	20.94	20.86	20.51	20.65	17.02	22.02	15.71

FT 30 since compilation: high 3430.3 16/10/97; low 49.4 26/06/40. Base Date: 1/7/35.

FT 30 hourly changes

Open	9	10	11	12	13	14	15	16	High	Low
3293.4	3314.1	3309.9	3308.6	3308.7	3291.2	3289.3	3289.3	3289.3	3317.1	3289.3

	Dec 31	Dec 30	Dec 29	Dec 24	Dec 23	Yr ago
SEAQ bargains	23,264	35,021	29,889	14,543	36,996	27,410
Equity turnover (£m)†	-	NA	918.7	1166.4	1441.3	518.1
Equity bargains†	-	NA	24,767	15,912	32,491	15,110
Shares traded (ml)†	-	NA	380.8	359.7	451.8	219.3

†Excluding intra-market and overseas turnover but including Crest turnover.

■ **London market data**

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	1,162	Total Highs	115	Total contracts	4,904
Total Falls	639	Total Lows	32	Calls	3,207
Same	1,285			Puts	1,697

Dec 31 *Data based on Equity shares listed on the London Share Service.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1997 High	1997 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
-	F.P.	-	95	93½	Abbey Nat Dublin §	93½		-	-	-	-
§250	F.P.	75.3	284½	262	Autologic	284½	+6	R7.5	2.0	3.3	19.4
§140	F.P.	38.7	167½	148½	†BCO Techs	165½		-	-	-	-
§85	F.P.	12.2	90	85	†Bond Intl Sftw	89½		W-	-	-	24.9
-	F.P.	13.0	21½	16½	Boustead	19½		-	-	-	-
§	F.P.	2.32	73	53	Coxland Comm	58	-1	-	-	-	14.8
290	F.P.	378.5	273½	251½	Energis	251½	-5	-	-	-	-
-	F.P.	-	£182	£158	Flmg Grd Units	£181½		-	-	-	-
§25	F.P.	1.42	35½	29½	†General Inds	35½		-	-	-	-
§105	F.P.	22.8	133½	123½	†Gooch & Housego	133½		L1.47	3.8	1.4	20.8
135	F.P.	5.13	142½	139½	†Longmead	142½		L5.01	2.8	4.4	9.6
§110	F.P.	122.9	124½	105½	Marchpole	105½	-1	R3.65	2.1	4.3	14.0
§	F.P.	8.21	67½	54½	†Market Link Publ	65½	+½	-	-	-	11.6
-	F.P.	22.9	149½	116½	Nthn Recruitment	140½	-4	L1.73	4.1	1.5	17.7
§126	F.P.	12.6	144½	137½	†Optoplast	144½		H3.07	3.4	2.7	11.3
§6	F.P.	9.54	7½	7	†Property Asset	7		-	-	-	-
-	P.P.	8.12	6¾	6	†Range Cooker Co	6½		-	-	-	12.2
-	F.P.	21.0	98½	92½	†Rapid Technology	95½	+1	-	-	-	-
§102	F.P.	23.2	102½	102½	†Razorback Vhcls	102½		-	-	-	-
§105	F.P.	36.2	114½	110½	SCS Upholstery	110½	-1	L2.7	2.0	3.1	20.8
§	F.P.	168.8	104¼	96½	Second Scot Natl	104½	+1	-	-	-	12.2
§	F.P.	100.1	101	99½	Do Zero Div Prf	99¾		-	-	-	-
§230	F.P.	51.2	238½	230	Sytner	233½	+1	R8.9	3.0	3.7	10.9
*	F.P.	-	50	40½	Vanguard Med Wts	48½	+1	-	-	-	-
*-	F.P.	3.87	113½	113½	Wyndham Mtr	113½		u4.5	7.8	5.0	3.2

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

FTSE Actuaries Share Indices — The UK Series

Produced in conjunction with the Faculty and Institute of Actuaries

	Dec 31	Day's chge%	Dec 30	Dec 29	Year ago	Gross yield%	Net yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FTSE 100	5135.5	+0.1	5132.3	5112.4	4057.4	3.16	2.61	2.07	19.15	145.44	2217.18
FTSE 250	4787.6	+0.4	4768.1	4732.2	4469.4	3.49	2.89	1.84	19.46	149.77	2027.24
FTSE 250 ex IT	4821.4	+0.4	4802.9	4768.4	4522.0	3.61	2.99	1.88	18.40	155.66	2043.85
FTSE 350	2469.7	+0.1	2466.5	2456.3	2017.9	3.22	2.66	2.02	19.21	71.37	2178.75
FTSE 350 ex IT	2473.4	+0.1	2470.4	2459.4	-	3.24	2.68	2.05	19.00	39.41	1119.12
FTSE 350 Higher Yield	2464.8	+0.2	2460.5	2448.6	1934.5	4.16	3.46	1.89	15.91	90.14	1851.80
FTSE 350 Lower Yield	2469.3	+0.1	2467.3	2476.7	2109.3	2.29	1.86	2.26	24.33	53.29	1789.91
FTSE SmallCap	2313.25	+0.3	2307.36	2290.75	2178.29	3.29	2.66	1.60	23.70	66.60	1989.66
FTSE SmallCap ex IT	2311.39	+0.2	2306.50	2288.96	2190.80	3.53	2.85	1.67	21.21	71.80	2007.31
FTSE All-Share	2411.00	+0.1	2407.74	2396.74	1988.78	3.23	2.65	1.99	19.44	69.64	2158.80
FTSE All-Share ex IT	2416.52	+0.1	2413.54	2402.91	-	3.26	2.69	2.01	19.11	38.69	1113.08

■ **FTSE Actuaries Industry Sectors**

	Dec 31	Day's chge%	Dec 30	Dec 29	Year ago	Gross yield%	Net yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(20)	4501.76	-0.1	4506.66	4471.59	3893.42	3.46	2.85	1.81	19.66	140.76	2038.01
12 Extractive Industries(6)	3024.42	+1.0	2995.11	2938.92	3939.24	4.85	4.12	1.69	14.24	139.64	932.20
15 Oil, Integrated(3)	4951.28	-0.2	4961.33	4933.12	4014.55	3.52	2.84	1.77	20.05	[illegible]	[illegible]
16 Oil Exploration & Prod(12)	3699.19	-0.6	3820.60	3571.15	3244.40	1.59	1.31	2.32	33.76	83.50	2214.28
20 GEN INDUSTRIALS(255)	1998.11	....	1997.67	1993.86	2007.24	3.91	3.32	1.96	16.14	70.28	1157.84
21 Building & Construction(36)	1297.29	+0.2	1294.73	1281.81	1194.01	3.64	2.93	2.36	14.57	43.09	1143.31
22 Building Matls & Merchs(29)	1734.81	+0.2	1731.11	1730.48	1815.80	4.42	3.84	1.86	14.66	67.23	929.76
23 Chemicals(26)	2591.41	+0.4	[illegible]	2578.30	2321.59	3.84	3.34	1.71	19.06	93.70	1307.47
24 Diversified Industrials(13)	1251.15	-0.1	1252.71	1245.07	1492.96	5.45	5.12	2.66	8.74	66.97	767.30
25 Electronic & Elect Equip(33)	2203.39	+0.7	2187.30	2177.81	2257.96	4.05	3.29	1.87	18.46	57.95	1202.94
26 Engineering(64)	2770.32	-0.2	2775.65	2765.28	2643.15	3.03	2.55	2.43	16.96	78.05	1763.78
27 Engineering, Vehicles(13)	3436.29	-1.5	3489.84	3436.29	3008.65	2.87	2.42	0.05	80.00†	98.47	1874.52
28 Paper, Pckg & Printing(27)	2141.25	+0.5	2129.82	2119.56	2571.95	4.86	3.99	1.92	13.38	93.35	951.29
29 Textiles & Apparel(14)	993.77	-0.4	997.79	997.85	1059.63	6.79	5.64	1.19	15.49	53.66	667.90
30 CONSUMER GOODS(94)	4923.19	+0.2	4913.27	4904.64	3728.25	3.04	2.55	1.83	22.49	140.36	1922.75
32 Alcoholic Beverages(6)	3256.79	----	3255.52	3268.07	2895.18	3.67	3.83	2.22	15.82	120.75	1254.64
33 Food Producers(25)	3360.87	+0.6	3339.72	3319.59	2684.49	3.22	2.66	1.93	20.16	99.81	1606.80
34 Household Goods(17)	3095.94	-0.5	3111.92	3049.06	2603.10	3.19	2.76	2.45	15.81	90.19	1287.49
36 Health Care(14)	2290.68	+0.3	2284.17	2274.42	2039.64	2.30	1.91	1.69	32.12	63.27	1449.64
37 Pharmaceuticals(19)	6159.65	+0.1	6153.56	6141.37	5624.25	2.29	1.81	1.70	32.21	171.99	2890.31
38 Tobacco(3)	4624.29	+0.4	4605.47	4619.21	4017.53	6.13	5.41	1.60	12.70	256.01	1282.12
40 SERVICES(273)	2867.80	+0.2	2861.32	2850.55	2616.74	2.86	2.33	2.04	21.23	72.51	1652.28
41 Distributors(35)	2519.42	+0.3	2510.70	2483.00	2855.61	3.77	3.08	2.04	16.29	84.30	977.02
42 Leisure & Hotels(30)	3382.68	-0.4	3396.63	3387.19	3261.06	2.86	2.28	2.20	19.94	87.28	1688.50
43 Media(45)	4156.65	----	4156.47	4105.19	4301.94	2.46	2.04	1.92	26.54	93.81	1558.92
44 Retailers, Food(15)	2739.23	+0.2	2734.33	2736.21	2135.19	3.09	2.47	2.30	17.60	72.23	1842.80
45 Retailers, General(55)	2304.63	+0.5	[illegible]	2297.95	2046.18	3.16	2.54	2.17	18.22	65.23	1387.78
47 Breweries, Pubs & Rest(22)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
48 Support Services(39)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
49 Transport(23)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
60 UTILITIES(32)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
62 Electricity(16)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
64 Gas Distribution(2)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
66 Telecommunications(8)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
68 Water(12)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
69 NON-FINANCIALS(684)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
70 FINANCIALS(104)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
71 Banks, Retail(12)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
73 Insurance(17)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
74 Life Assurance(6)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
77 Other Financial(25)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
79 Property(42)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
80 INVESTMENT TRUSTS(128)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
89 FTSE All-Share(803)	2411.00	+0.1	2407.74	2396.74	1988.78	3.23	2.65	1.99	19.44	69.64	2158.80
105 FTSE All-Share ex IT(675)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FTSE Fledgling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FTSE Fledgling ex IT	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FTSE AIM	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ **Hourly movements**

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FTSE 100	-	5173.7	5174.6	5173.6	5165.6	5135.5	-	-	-	5182.3	5133.1
FTSE 250	-	4778.8	4786.2	4788.3	4787.8	4787.6	-	-	-	4788.7	4774.4
FTSE 350	-	2483.7	2484.8	2484.6	2481.4	2469.7	-	-	-	2487.2	2467.4
FTSE SmallCap	2308.97	2309.56	2311.05	2312.15	2312.97	2313.25	-	-	-	2313.25	2308.66
FTSE All-Share	-	2423.60	2424.68	2424.57	2421.72	2411.00	-	-	-	2426.90	2409.65

Time of FTSE 100 Day's high: 8:47 AM Day's low: 8:33 AM. FTSE 100 1997 High: 5330.8 (03/10/97) Low: 4056.6 (10/01/97)

Time of FTSE All-Share Day's high: 8:55 AM Day's low: 8:33 AM. FTSE All-Share 1997 High: 2492.41 (03/10/97) Low: 1989.78 (02/01/97)

Further information is available on http://www.ftse.com

† Sector P/E ratios greater than 80 and net covers greater than 30 are not shown. ‡ Values are negative. Deletion: Int'l Tool & Supply (FTSE Fledgling); Insert: Wyndham Motor (FTSE Fledgling).

FTSE INTERNATIONAL

TRADING VOLUME

■ Major Stocks Weds.

	Vol. 000s	Closing price	Day's change
3i†	83	505	
AMVESCAP†	430	528	+16
ASDA Group†	1,300	177½	-1
Abbey National†	482	1097	-3
Airtours	132	1236	+10
Alliance & Leicester†	854	800	-10
Allied Domecq†	403	526	-1
[illegible]	[illegible]	[illegible]	[illegible]
Willamette†	229	339	-4½
Wolseley†	484	483	+7
Woolwich†	1,000	318	-2¼
Yorkshire Water	56	484	+8½
Zeneca†	345	2137	+25

Based on trading volume for a selection of major securities Wednesday until 12.30pm. † Indicates a FTSE 100 index constituent or reserve. All trades are rounded. Source: Extel, part of FT Information.

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Dec 30 / Sch)

BELGIUM/LUXEMBOURG (Dec 30 / Frs.)

CZECH REP (Dec 30 / Koruna)

DENMARK (Dec 30 / Kr)

FINLAND (Dec 30 / Mkk)

FRANCE (Dec 31 / Frs.)

GERMANY (Dec 30 / Dm.)

GREECE (Dec 31 / Drachma)

ITALY (Dec 31 / Lira)

NETHERLANDS (Dec 30 / Fl.)

NORWAY (Dec 30 / Kroner)

POLAND (Dec 31 / Zloty)

PORTUGAL (Dec 31 / Escudo)

SPAIN (Dec 31 / Pts.)

SWEDEN (Dec 30 / Kronor)

SWITZERLAND (Dec 31 / Frs.)

TURKEY (Dec 31 / Tk Lira)

PACIFIC

JAPAN (Dec 30 / Yen)

AUSTRALIA (Dec 31 / Aust$)

HONG KONG (Dec 31 / H.K.$)

INDONESIA (Dec 30 / Rupiah)

MALAYSIA (Dec 31 / MYR)

NEW ZEALAND (Dec 31 / NZ $)

SINGAPORE (Dec 31 / S$)

SOUTH KOREA (Dec 27 / Won)

TAIWAN (Dec 31 / TW $)

THAILAND (Dec 31 / Baht)

NORTH AMERICA

CANADA

TORONTO (Dec 31 / Can $)

4 pm close

MONTREAL (Dec 31 / Can $)

4 pm close

AFRICA

SOUTH AFRICA (Dec 31 / Rand)

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by FTSE International Limited and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the Indices.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	WEDNESDAY DECEMBER 31 1997 US Dollar Index	%chg since 31/12/96	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg from 31/12/96	Gross Div. Yield	TUESDAY DECEMBER 30 1997 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (74)	200.12	-9.8	180.39	164.48	187.07	204.26	9.9	3.72	199.30	178.35	163.45	185.63	203.20	243.87	180.41	221.90
Austria (23)	189.04	-0.5	170.35	155.39	176.72	178.60	16.2	1.88	189.74	169.80	155.61	176.72	176.80	213.59	175.14	189.91
Belgium (26)	254.46	11.8	229.31	209.15	237.89	232.52	30.4	2.96	255.24	228.41	209.32	237.73	232.52	262.95	225.22	227.69
Brazil (30)	238.44	25.7	214.88	195.97	222.89	489.85	35.0	1.81	238.44	213.38	195.54	222.08	489.85	322.44	184.94	189.67
Canada (122)	212.40	11.9	191.39	174.57	198.55	220.10	18.8	1.80	211.45	189.22	173.41	196.94	220.15	233.66	176.27	189.84
Denmark (32)	447.42	27.4	403.18	367.74	418.25	416.69	47.6	1.25	448.96	401.77	368.19	418.15	416.69	449.53	348.27	351.96
Finland (28)	278.52	13.4	250.98	228.91	260.36	316.91	34.0	1.98	279.52	250.14	229.23	260.34	318.81	349.43	242.30	245.84
France (83)	239.31	11.8	215.65	196.69	223.71	225.84	29.4	2.38	238.48	213.42	195.58	222.12	224.20	248.23	209.30	214.07
Germany (58)	229.42	20.8	206.74	188.56	214.47	214.47	40.9	1.37	230.27	206.07	188.84	214.47	214.47	243.87	184.23	189.99
Hong Kong, China (66)	357.02	-29.6	321.72	293.44	333.75	355.17	-29.5	4.50	355.90	318.49	291.88	331.48	354.07	580.03	314.78	507.05
Indonesia (27)	66.07	-71.0	59.54	54.31	61.77	222.74	-32.6	3.02	65.19	58.33	53.46	60.71	222.74	254.90	62.01	228.19
Ireland (16)	401.58	22.1	361.88	330.02	375.38	396.95	45.0	2.49	396.48	354.80	325.15	369.27	390.87	409.57	316.20	328.85
Italy (59)	117.65	40.9	106.02	96.70	109.98	155.35	63.9	1.57	117.81	105.43	96.62	109.73	154.77	117.92	82.10	83.49
Japan (481)	95.29	-26.2	85.86	78.32	89.07	78.32	-17.3	1.01	95.49	85.46	78.32	88.94	78.32	141.12	91.17	129.07
Malaysia (107)	164.40	-72.8	148.14	135.12	153.68	246.46	-58.0	2.95	163.62	148.42	134.19	152.99	245.32	660.85	157.13	603.22
Mexico (26)	1803.07	47.8	1624.77	1481.95	1685.52	15893.28	51.4	1.53	1795.95	1607.17	1472.86	1672.70	15833.44	1801.98	1218.83	1219.82
Netherlands (19)	409.88	21.9	369.34	336.88	383.15	379.25	42.9	2.22	411.54	368.28	337.50	383.30	379.25	440.67	326.45	336.15
New Zealand (14)	76.41	-16.7	68.86	62.81	71.43	89.88	1.3	4.42	75.93	67.95	62.27	70.72	89.14	96.47	73.21	91.77
Norway (39)	319.40	8.1	287.82	262.52	298.58	319.61	24.8	1.89	320.05	286.41	262.47	298.08	319.61	374.84	292.28	295.55
Philippines (22)	79.33	-61.9	71.48	65.20	74.16	157.74	-40.9	1.38	78.83	70.55	64.65	73.42	157.74	214.07	74.95	203.63
Singapore (42)	225.15	-46.4	202.88	185.05	210.47	174.83	-35.4	1.83	223.51	200.01	183.30	208.17	172.68	448.01	215.21	419.84
South Africa (43)	265.38	-16.7	239.14	218.12	248.08	282.28	-19.3	3.05	266.31	238.32	218.40	248.04	283.04	370.12	251.92	318.43
Spain (33)	271.79	23.7	244.92	223.39	254.07	313.84	44.9	2.22	275.88	246.93	226.29	256.99	316.89	277.33	206.12	219.80
Sweden (49)	469.51	11.3	423.06	385.89	438.90	551.50	29.9	1.88	471.44	421.89	386.63	439.09	551.50	538.94	405.00	421.90
Switzerland (37)	340.80	42.9	307.10	280.10	318.58	308.18	55.2	1.09	341.01	305.17	279.67	317.61	307.42	341.01	231.69	238.56
Thailand (39)	19.30	-79.8	17.39	15.86	18.04	36.06	-62.2	7.97	19.06	17.06	15.63	17.75	34.85	103.98	18.54	95.80
United Kingdom (212)	331.78	17.2	298.95	272.67	310.13	298.95	21.9	3.30	333.73	298.65	273.70	310.83	298.65	337.89	271.72	283.17
USA (640)	398.39	31.3	357.19	325.79	370.54	398.39	31.3	1.57	396.01	354.38	324.77	368.83	396.01	401.22	299.79	301.84
Americas (818)	360.14	30.4	324.53	296.00	336.66	303.98	30.8	1.59	359.74	321.92	295.02	335.05	303.70	365.75	274.42	276.18
Europe (701)	289.10	20.6	260.51	237.61	270.25	273.97	34.0	2.34	290.14	259.61	237.94	270.23	273.60	296.25	235.25	239.65
Nordic (147)	412.31	13.8	371.53	338.88	385.43	421.57	32.2	1.78	413.84	370.34	339.39	385.44	421.57	464.93	355.77	362.92
Pacific Basin (872)	105.89	-28.8	95.42	87.03	98.99	88.12	-19.6	1.68	105.97	94.83	86.90	98.68	88.02	158.99	101.48	148.67
Euro-Pacific (1573)	182.30	-2.9	164.27	149.83	170.42	158.00	8.7	2.12	182.78	163.57	149.90	170.24	157.80	209.12	173.56	186.51
North America (762)	384.66	30.3	346.62	316.16	359.58	394.52	30.6	1.58	384.24	343.85	315.11	357.87	394.18	389.57	282.34	295.13
Europe Ex. UK (489)	259.67	22.7	233.99	213.42	242.74	253.48	41.4	1.80	260.26	232.90	213.44	242.40	253.08	267.07	208.63	211.65
Pacific Ex. Japan (391)	200.41	-36.4	180.59	164.72	187.35	202.16	-25.7	3.67	199.58	178.59	163.66	185.88	201.17	320.65	192.39	315.27
World Ex. US (1794)	186.32	-1.2	167.88	153.13	174.17	164.77	9.3	2.10	186.72	167.09	153.13	173.91	164.57	212.99	176.94	188.66
World Ex. UK (2222)	246.63	12.8	222.25	202.71	230.56	224.90	19.0	1.66	246.62	220.69	202.25	229.69	224.65	262.69	211.16	218.74
World Ex. Japan (1953)	333.17	21.7	300.22	273.83	311.44	327.49	27.3	1.94	333.28	298.25	273.33	310.41	327.08	344.35	270.77	273.69
The World Index (2434)	253.86	13.2	228.76	208.65	237.31	231.62	19.3	1.83	254.00	227.31	208.31	236.57	231.37	268.47	216.61	224.21

 CONSTITUENT CHANGE 2/1/98: Name change: CPC International to Bestfoods (USA). Markets closed 31/12/97: Austria, Belgium, Brazil, Denmark, Finland, Germany, Indonesia, Japan, Netherlands, Norway, Philippines and Sweden.

Emerging markets: IFC Investable indices

Dollar terms

Dec 30 Market		Day's % chg	% Chg since 31/12/96
Latin America			
Argentina	1,116.77	+2.8	+17.4
Brazil	462.62	+1.9	+21.8
Chile	657.84	+2.3	+2.0
Colombia[1]	689.17	+0.5	+30.8
Mexico	796.47	+2.8	+49.8
Peru[2]	221.07	+0.2	+12.3
Venezuela[3]	900.45	+1.6	+23.7
East Asia			
China[4]	55.13	+3.1	-29.2
Korea[5]	24.91	-12.5	-67.8
Philippines	112.36		-61.7
Taiwan, China[6]	140.41	+1.2	+8.4
South Asia			
India[7]	82.80	-1.7	+4.8
Indonesia[8]	39.30	-3.4	-73.9
Malaysia	80.83	+2.7	-73.0
Pakistan[9]	246.14	+1.8	+25.8
Sri Lanka[9]	118.39	+0.6	+22.4
Thailand	47.23	+1.0	-78.7
Europe/Mideast/Africa			
Czech Rep	34.85	-1.1	-21.8
Egypt	90.25	+0.1	-
Greece	322.72	+0.8	+33.2
Hungary[9]	315.38	+4.8	+80.3
Israel	120.46	+2.0	+30.5
Jordan	210.26	+0.2	+12.6
Morocco	120.00		-
Poland[9]	590.51	+2.5	-10.1
Portugal	210.88	-0.1	+44.4
Russia	144.70	+1.5	-
S Africa[9]	170.81	+0.8	-14.0
Slovakia	99.58	-0.4	-
Turkey[9]	317.77	+4.7	+113.7
Zimbabwe[9]	242.30	+3.7	-48.8
Regions			
Composite	345.28	+1.3	-18.8
Latin America	676.70	+2.0	+25.6
Asia	107.51	-0.4	-57.5
EMEA	147.21	+1.6	+9.6

Base date: Dec 1988=100 except those noted which are: (1)Feb 1 1991; (2)Dec 31 1992; (3)Jan 5 1990; (4)Dec 31 1992; (5)Jan 3 1992; (6)Jan 4 1991; (7)Nov 5 1992; (8)Sep 28 1990; (9)Mar 1 1991; (10) Dec 31 1992; (11)Dec 31 1993; (12)Dec 31 1992; (13)Dec 31 1992; (14)Dec 31 1992; (15)Aug 2 1993; (16) July 2 1993

Latest indices were unavailable for this edition.

Prices supplied by Extel, part of FT Information.

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. * Calendar year high and low. ‡ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $.

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4 pm close December 31

NEW YORK STOCK EXCHANGE PRICES

1997 High	Low	Stock	Div	Yld. %	P/ E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
		- A -								
[illegible]	24¼	AAR	0.48	1.2	30	753	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	AMP	1.04	2.5	31	4208	[illegible]	[illegible]	42	[illegible]
[illegible]	78¼	AMR			10	3166	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	19	ASA	1.20	5.8	13	804	[illegible]	[illegible]	[illegible]	[illegible]
69¼	43¾	AbbotL	1.08	1.6	24	8053	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	12½	AbitibiC	0.40	2.9	7	1192	[illegible]	[illegible]	14	[illegible]
31½	17½	ABM Ind	0.48	1.6	25	192	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	17¼	Acptocsta			11	139	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	ACE Ltd x	0.96	1.0	12	1431	[illegible]	93	[illegible]	[illegible]
11¼	10	ACM Gvt In x	0.90	8.2	12	319	11	[illegible]	11	[illegible]
[illegible]	7	ACM GvOpp x	0.63	7.8		113	[illegible]	[illegible]	[illegible]	
10½	[illegible]	ACM Man x	0.90	8.9		115	[illegible]	10	[illegible]	
[illegible]	[illegible]	Acme Steel				407	[illegible]	[illegible]	[illegible]	
20	8½	Acme Mills				334	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]										

Price data supplied by Telekurs, part of FT Information.

Yearly highs and lows for NYSE reflect the period from Jan 1 1997. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.
d-new yearly low. P/E price-earnings ratio. sls-sales. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.
Dealings suspended.

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GLOBAL EQUITY MARKETS

US INDICES

Dow Jones	Dec 31	Dec 30	Dec 29	1997 High	1997 Low	Since compilation High	Since compilation Low
Industrials	7908.25	7915.97	7792.41	8259.31 (6/8)	6391.69 (11/4)	8259.31 (6/8/97)	41.22 (8/7/32)
Home Bonds	105.05	105.13	105.13	105.13 (29/12)	101.08 (14/4)	105.13 (29/12/97)	54.99 (1/10/81)
Transport	3256.50	3216.22	3119.96	3359.27 (15/10)	2222.07 (2/1)	3359.27 (15/10/97)	13.23 (8/7/32)
Utilities	273.07	272.01	270.01	272.81 (30/12)	209.47 (25/4)	272.81 (30/12/97)	10.53 (8/7/32)

DJ Ind. Day's high 7985.93 (7958.32) Low 7833.76 (7787.88) (Theoretical♦)
Day's high 7968.58 (7922.70) Low 7888.57 (7791.81) (Actual♦)

Standard and Poors	Dec 31	Dec 30	Dec 29	1997 High	1997 Low	Since compilation High	Since compilation Low
Composite‡	970.43	970.84	953.26	983.79 (5/12)	737.01 (2/1)	983.79 (5/12/97)	4.40 (1/6/32)
Industrials♥	1121.38	1123.29	1102.25	1146.82 (7/10)	865.42 (11/4)	1146.82 (12/12/97)	3.52 (30/6/32)
Financial♥	118.79	118.31	118.33	120.83 (8/12)	80.75 (2/1)	120.83 (8/12/97)	7.13 (4/9/74)
Others							
NYSE Comp.	511.19	510.28	501.49	514.31 (5/12)	389.47 (11/4)	514.31 (5/12/97)	4.84 (25/4/42)
Amex Comp.	684.61	678.91	669.29	721.90 (7/10)	541.20 (28/4)	721.90 (7/10/97)	524.20 (16/7/96)
NASDAQ Comp	1570.37	1565.09	1537.45	1745.86 (9/10)	1201.00 (2/4)	1745.86 (9/10/97)	54.87 (3/10/74)
Russell 2000	437.03	434.01	426.67	465.21 (13/10)	335.85 (25/4)	465.21 (13/10/97)	123.36 (7/12/93)

■ RATIOS

	Dec 26	Dec 19	Dec 12	Year ago
Dow Jones Ind. Div. Yield	1.79	1.76	1.74	2.02
	Dec 24	Dec 17	Dec 10	Year ago
S & P Ind. Div. yield	1.55	1.49	1.48	1.84
S & P Ind. P/E ratio	25.05	25.90	26.09	23.30

US DATA

■ MARKET ACTIVITY

● Volume (million)	Dec 31	Dec 30	Dec 29
NYSE	470.890	504.350	441.240
Amex	32.270	29.988	28.541
NASDAQ	807.191	771.337	654.454

NYSE	Dec 31	Dec 30	Dec 29
Issues Traded	3,402	3,444	3,458
Rises	1,830	2,195	2,150
Falls	1,083	786	857
Unchanged	489	463	451
New Highs	281	245	172
New Lows	22	42	77

■ NYSE TRADING ACTIVITY Volume : 470,890,000

■ ACTIVE STOCKS

Wednesday	Stocks traded	Close price	Day's change
Compaq	5,898,400	58½	+1⅞
Repub Inds	3,583,700	23⅛	+2½
EMC	3,051,900	27⅜	+⅛
Exxon	2,861,400	61⅛	−1⅛
Boeing	2,829,100	48⅞	+½
AT&T	2,708,700	61¼	−1½
BT	2,581,800	80⅛	+⅛
Philip Morris	2,544,100	45⅛	+¼
Fst Data	2,504,600	29¼	−1
Accustaff	2,487,700	23	−⅛

■ BIGGEST MOVERS

Wednesday	Close price	Day's change	Day's chge %
Ups			
Oregon Stl	21¼	+2⅞	+16.0
Repub Inds	23⅛	+2½	+12.0
Toboscope	24⅛	+2⅛	+11.3
Drll-Gulp	35¾	+3¼	+10.1
Downs			
Paragon	12¼	−7¾	−37.0
Russell	20¾	−1⅞	−8.4
Fried Bill	17⅞	−1⅛	−6.2
K2	23	−1¾	−5.8

■ NASDAQ TRADING ACTIVITY Volume : 807,191,000

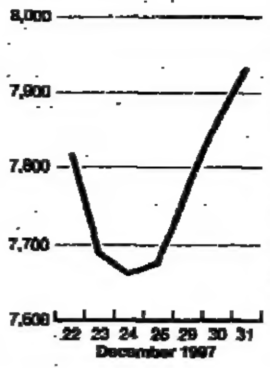
■ ACTIVE STOCKS

Wednesday	Stocks traded	Close price	Day's change
Ascend Com	10,964,500	24¾	+½
Intel	10,490,300	70¼	−1⅛
Oracle	8,586,500	22⅛	−⅛
Worldcom	7,849,100	30¼	−¾
Informix	7,693,400	4¾	+⅞
Cisco Sys	7,606,800	55¾	−⅜
Geotek Comm	6,262,200	1⅛	+¾
Dell Cmptr	5,868,200	84	−1⅛
Microsoft	5,762,500	129¼	−1
Appld Mat	5,634,300	30¼	−⅛

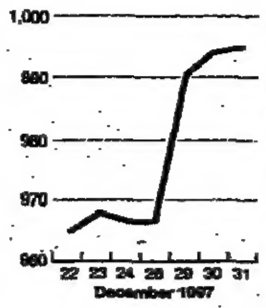
■ BIGGEST MOVERS

Wednesday	Close price	Day's change	Day's chge %
Ups			
Gt Fee Dve	16½	+6¼	+61.3
Pavlord	35	+6½	+22.8
Xomed Srgcl	24	+3¾	+19.3
Medl Inst	30½	+4	+15.1
Downs			
Guaranty Fed	12½	−14⅞	−53.6
CMC Inds	5¾	−4⅞	−45.7
Fresh Amer	19¼	−5¼	−21.0
Fst Com Bk	29	−4	+12.1

Dow Jones



FTSE Eurotop 300



JAPAN

	Dec 31	Dec 30	Dec 29	1997 High	1997 Low	Since compilation High	Since compilation Low
Nikkei 225	closed	15258.74	14775.22	20681.07	14775.22	38915.9	85.25

■ TOKYO TRADING ACTIVITY Volume : 194,000,000

■ ACTIVE STOCKS

Tuesday	Stocks traded	Close price	Day's change
Tomen Corp	13,669,000	90	+8
Yamaichi Sec	8,563,000	1	
Sakura Bank	4,120,000	373	+7
Nippon Lace	3,475,000	18	−16
Fuji Bank	3,091,000	520	+28
Toshoku	3,024,000	1	
Np Credit Bk	2,999,000	114	+1
LTCB	2,736,000	209	+8
Kankaku Sec	2,316,000	102	+5
Mitsui T & B	1,987,000	253	+8

■ BIGGEST MOVERS

Tuesday	Close price	Day's change	Day's chge %
Ups			
Sekiki Kuse	99	+24	+32
Np Light Mtl	190	+36	+23.4
Miyaji Iron	133	+24	+22
Seibu Corp	66	+11	+20
Hokushin	268	+43	+19.1
Yokio Mfg	520	+80	+18.2
Downs			
Nippon Lace	18	−16	−45.7
Teikoku Pump	530	−60	−10.2

FRANCE

	Dec 31	Dec 30	Dec 29	1997 High	1997 Low	Since compilation High	Since compilation Low
CAC 40	2998.91	2975.47	2939.46	3094.01	2256.97	3094.01	984.61

■ PARIS TRADING ACTIVITY Volume : 314,797,370

■ ACTIVE STOCKS

Wednesday	Stocks traded	Close price	Day's change
Fr Telecom	1,573,767	218.3	+1
Rho-Poc A	933,077	269.6	+4.5
Elf Aqtne	658,913	700	+4
Axa-UAP	615,586	465.7	−0.3
Usinor	614,489	85.6	+1.65
Renault	568,938	169.3	+0.7
AGF	543,988	318.9	+0.1
Total B	437,910	655	+8
B.N.P.	431,701	318.9	+1.9
Batr Faure	403,598	427.9	−0.1

■ BIGGEST MOVERS

Wednesday	Close price	Day's change	Day's chge %
Ups			
Ducros Srv	36	+6.2	+20.8
Marocaine	99.6	+14.7	+17.3
Bqe Vernes	159.8	+14.8	+10.2
Gal 2000	39.4	+3.6	+10.1
Downs			
Ad Capital	98	−52	−34.7
Cycnos	22.6	−2.4	−9.6
Arj-Prioux	1280	−120	−8.6
Fro Thm Veh	1070	−100	−8.5

GERMANY

	Dec 31	Dec 30	Dec 29	1997 High	1997 Low	Since compilation High	Since compilation Low
DAX	closed	4249.69	4197.37	4438.93	2848.77	4438.93	931.18

■ FRANKFURT TRADING ACTIVITY Volume : 18,227,071

■ ACTIVE STOCKS

Tuesday	Stocks traded	Close price	Day's change
Commerzbank	1,135,813	70.8	−1.5
Deutsche Bk	1,101,258	127	+2
Siemens	984,408	108.6	−1.1
BASF	929,873	63.75	−0.85
Dt Telekom	913,867	33.85	+1.15
Bayer	908,540	67.2	+2.4
Hoechst	724,927	93	+1.9
Daimler-Benz	688,529	128.2	+2
Lfthnsa Rg	676,700	34.5	+2.1
Veba	619,089	122.5	+0.8

■ BIGGEST MOVERS

Tuesday	Close price	Day's change	Day's chge %
Ups			
Bausch	49.0	+5.0	+11.4
Ahlers Pf	470.0	+40.0	+9.3
Rinol	51.0	+4.0	+8.5
K&M Mobel	15.4	+1.2	+8.5
Downs			
Kolbenschmidt	21.0	−1.8	−7.9
Jungheinrch Pf	270.0	−20.0	−6.9
Nadelmetal Pf	28.0	−1.9	−6.4
Ex-Cell-O	252.0	−13.0	−4.9

UK

	Dec 31	Dec 30	Dec 29	1997 High	1997 Low	Since compilation High	Since compilation Low
FTSE 100	5135.5	5132.3	5112.4	5330.80	4056.60	5330.8	986.9

■ LONDON TRADING ACTIVITY Volume : 216,500,000

■ ACTIVE STOCKS

Wednesday	Stocks traded	Close price	Day's change
Ind Cmcl Sv	11,610,980	38½	
BTR	7,551,989	184	
Eidn Nw Tgr	4,889,411	14¼	+½
Centrica	4,751,994	86½	−2
Tamaris	4,250,800	2½	+¼
Wiggins	4,178,341	13½	
Gallaher	3,957,000	323	+1
Br Steel	3,604,449	130½	+1
BP	3,587,219	800	−2½
Vodafone	2,942,036	439	+3

■ BIGGEST MOVERS

Wednesday	Close price	Day's change	Day's chge %
Ups			
Culver	35½	+7¾	+27.9
Elec Retail	305	+45	+17.3
Ind Eng	145	+15½	+12.0
D Grp	90	+7½	+9.1
Downs			
Tradepoint	51½	−10	−16.3
La Senza	17	−3	−15.0
Waterfall	75½	−4½	−5.8
Border TV	267½	−15	−5.3

INDEX FUTURES

■ S&P 500	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	986.20	978.70	-0.60	984.20	975.40	65,548	358,791
Jun	987.50	988.50	-1.00	993.00	986.50	398	8,793
■ Nikkei 225	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	15000.0	15240.0	+480.0	15260.0	14960.0	12,585	168,223
Jun	14900.0	15140.0	+530.0	15140.0	14900.0	804	31,449

■ CAC-40 (200 x index)	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Dec	2993.0	2986.2	+19.2	2998.0	2976.0	11,742	10,997
Jan	3000.0	3009.0	+27.0	3012.0	2982.5	13,550	40,687
■ DAX							
Mar	4335.0	4278.5	-	4346.0	4262.5	10,276	67,606
Jun	4368.0	4307.5	-	4366.0	4352.0	451	7,966

■ OMX	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Jan	2396.00	2409.00	-	2427.00	2396.00	4,381	20,379
Feb	2424.00	2420.50	-	2438.00	2416.00	132	385
■ SOFFEX							
Jan	6281.0	6281.0	+17.0	6293.0	6255.0	1,377	17,852
Mar	-	6298.0	+17.0	-	-	-	1

Open interest figures for previous day.

WORLD MARKETS AT A GLANCE

Country	Index	Dec 31	Dec 30	Dec 29	1997 High	1997 Low	♣ Yield	♣ P/E
Argentina	General	(c)	23071.70	22530.94	25771.70 22/10	18237.37 2/1	3.2	18.4
Construction stock Corcemar, foods giant Molinos and steelmaker Siderar were the stars as the market surged.								
Australia	All Ordinaries	2616.5	2601.1	2576.3	2779.20 25/9	2299.20 28/10	3.54	18.7
	All Mining	609.7	602.4	603.8	987.18 24/2	541.10 27/11		
Resources leaders enjoyed healthy gains ahead of today's short session. However, golds slipped with weaker bullion.								
Austria	Credit Aktien	(c)	453.93	452.97	474.42 2/10	374.40 9/1	1.95	14.3
	Traded Index	(c)	1294.94	1284.61	1488.49 31/7	1139.22 9/1		
Belgium	BEL20	(c)	2418.42	2403.88	2821.50 29/7	1871.08 2/1	2.25	18.6
Retailer GIB rose nearly 3 per cent on hopes of a bid from Promodès of France.								
Brazil	Bovespa	(c)	10197.0	10032.0	13617.00 8/7	6955.50 2/1	0.50	na
Shares ended firm on portfolio adjustments and Wall Street's gains.								
Canada	TSE 100♦	406.27	405.51	403.85	430.48 7/10	342.12 11/4	1.85	19.9
	Metals Mins♦	3802.52	3819.59	3808.41	5981.75 10/3	3680.47 16/12		
	Composite♦	6699.40	6601.20	6550.80	7209.98 7/10	5678.30 14/4		
	Portfolio§§	3404.48	3411.90	3368.32	3547.69 7/10	2845.02 11/4		
The index closed up slightly in light trading, as fears about Asia eased.								
Chile	IGPA Gen♥	4794.41	4781.52	4693.04	5898.71 4/7	4635.86 23/12	3.74	15.3
End-of-year window-dressing, ADR gains and cross-orders helped the market to rally.								
China	Shanghai B	55.88	55.39	54.19	98.23 7/5	52.38 24/12	1.21	70.9
	Shenzhen B	98.97	98.02	95.39	184.20 6/5	92.70 23/12		
Buying of Zhejiang Power and end-of-year window-dressing by domestic institutions drove Shanghai B shares higher.								
Colombia	IBB	(c)	1431.67	1419.93	1633.72 16/10	944.41 2/1	na	na
Stocks ended slightly higher in light year-end window-dressing.								
Czech Republic	PX 50	(c)	495.3	492.5	628.80 25/2	468.56 1/12	na	na
Denmark	CopenhagenSE	(c)	675.98	668.3	675.98 30/12	470.34 2/1	1.26	21.6
Foreign buying of heavyweight blue-chips helped shares to another all-time high.								
Egypt	Cairo SE Gen	359.85	358.73	357.38	- -	- -	na	na
Finland	HEX General	(c)	3302.26	3250.76	3680.81 22/10	2493.28 2/1	2.41	13.8
France	SBF 250	1044.91	1039.98	1027.79	1089.48 31/7	1533.18 2/1	2.42	17.9
	CAC 40	2998.91	2975.47	2939.46	3094.01 3/10	2256.97 2/1		
Interest was again centred on the food retailing sector, with Carrefour gaining on hopes of a bid from Promodès.								
Germany	FAZ Aktien	(c)	1380.54	1369.31	1481.44 31/7	989.21 2/1	1.42	20.5
	Commerzbank	(c)	4081.60	4013.60	4336.76 31/7	2835.50 2/1		
	DAX‡	(c)	4249.69	4197.37	4438.93 31/7	2848.77 2/1		
Shares hit by modest profit taking as investors sought to lock in gains after a year when the DAX index rose 47 per cent.								
Greece	Athens SE	1479.63	1469.14	1451.15	1794.14 8/10	954.54 2/1	3.07	15.5
Hong Kong	Hang Seng	10722.76	10755.21	10502.99	16673.27 7/8	8858.88 28/10	3.63	10.6
	HSCC Red Chip	1745.82	1760.84	1676.00	4118.55 27/8	1695.39 28/10		
While the property sector led blue chips higher, red chips stole the limelight in the last hour of trading.								
Hungary	Bux	(c)	7899.10	7735.65	8483.80 6/8	4281.30 6/1	na	na
India	BSE Sens.	3658.98	3637.71	3705.79	4548.02 5/8	3225.24 2/1		
	Crisil 500	667.41	665.12	673.96	843.28 5/8	615.29 12/12	na	na
Shares ended lower as investors unwound positions triggered by the end of the weekly account.								
Indonesia	Jakarta Comp.	(c)	401.71	398.01	740.83 8/7	339.53 15/12	2.91	11.6
Recovered from early losses as end-of-year window dressing lifted the index back over 400 in the last minutes of trading.								
Ireland	ISEQ Overall	4053.80	3994.13	(c)	4069.70 9/12	2725.07 2/1	2.22	19.2
Israel	Mishtanim 100	290.95	288.34	282.69	311.70 6/8	214.15 2/1	na	na
Italy	BCI Comit 30	249.42	248.64	248.09	249.42 31/12	155.74 2/1	1.6	21.6
	Banca Com Ital	1053.18	1051.89	1035.52	1053.18 31/12	660.42 2/1		
	Mibtel General	16808.0	16733.0	16578.0	16806.00 31/12	10498.00 2/1		
Shares lost steam towards the end of the day after the Mibtel index set an intra-day all-time record of 16,891.								
Japan	Nikkei 225	(c)	15258.74	14775.22	20681.07 15/6	14775.22 29/12	0.97	40.3
	Nikkei 300	(c)	236.88	231.23	303.71 28/7	227.05 22/12		
	Topix	(c)	1175.03	1147.87	1560.28 26/6	1130.08 22/12		
	2nd Section	(c)	1195.86	1186.22	1869.25 30/6	1180.55 24/12		
Wall Street's rise and buying by public pension funds pushed shares sharply higher on the year's last day of trading.								
Jordan	Amman SE	(u)	169.24	169.94	- -	- -	na	na
Malaysia	KLSE Comp.	594.44	580.39	568.66	1271.57 25/2	528.12 26/11	3.04	9.8
Financials jumped 5 per cent after the central bank said it would soon unveil a plan for mergers among finance companies.								
Mexico	IPC	(c)	5306.44	5120.61	5389.48 21/10	3268.46 2/1	1.17	15.2
Telefonos de Mexico led sharp gains as the index followed Wall Street and foreign investors adjusted portfolios.								
Morocco	CASA	667.47	665.70	667.12	669.75 23/4	451.98 3/1	na	na
Netherlands	CBS TtlRtnGen	(c)	1079.5	1071.2	1184.80 7/8	730.80 2/1	2.13	21.4
	CBS All Shr	(c)	618.8	614.1	684.40 7/8	429.00 2/1		
Dealers reported some end-of-year window dressing helping shares to end slightly higher.								
New Zealand	Cap. 40	2314.91	2292.29	2258.97	2695.48 22/10	2162.01 28/10	4.02	18.1
Telecom and Carter Holt Harvey drove the market sharply higher.								
Nigeria	SE All-Share	6440.51	6434.81	6409.08	- -	- -	na	na
Norway	Oslo SE Ind	(c)	2098.84	2055.11	2287.56 22/10	1609.03 2/1	1.91	14.4
Pakistan	Karachi SE	1753.82	1734.71	1717.49†	2007.98 22/10	1341.31 7/1	na	na
Shares with GDRs rose on speculation of a rupee devaluation despite government denials in recent weeks.								
Peru	Lima Gen	(u)	1794.18	1786.57	2289.40 10/7	1429.70 2/1	na	na
Philippines	Manila Comp	(c)	(c)	1869.23	3447.60 3/2	1749.18 28/10	1.36	11.3
Closed for 101st anniversary of death of national hero Jose Rizal. Trading will resume on Friday after new year holidays.								
Poland	WIG	14668.0	14552.3	14053.6	18339.40 18/2	13619.80 22/12	1.73	10.9
Portugal	BVL 30	3781.30	3776.73	3757.27	3781.30 31/12	2165.57 2/1	1.53	27.6
	PSI 20	8803.50	8803.00	8751.48	8803.50 31/12	5152.34 2/1		
Russia *	RTS	396.86	396.41	389.02	571.66 6/10	213.36 6/1	na	na
Blue-chips posted gains, helped by some demand from foreign investors.								
Singapore	SES All-S'pore	425.94	423.34	420.42	573.03 17/2	380.76 28/10	2.34	14.5
	Straits Times	1529.84	1514.83†	1517.94	2271.88 20/1	1487.03 28/10		
Differential between local and foreign tranches removed following Singapore Press's decision to remove foreign limits.								
Slovakia	SAX	(c)	(c)	(c)	208.64 21/3	164.81 22/7	na	na
South Africa	JSE Gold	802.2♥	805.5	843.8	1598.10 27/2	670.10 5/12	3.14	12.6
	JSE Ind.	7425.7♥	7394.4	7317.9	8514.20 7/8	7137.90 11/12		
Gold stocks fell by more than 4 per cent as weakening bullion prices halted the sector's three-week rally.								
South Korea	KoreaCmpEx**	(c)	(c)	(c)	792.29 17/6	350.68 12/12	3.4	9.6
Market closed. Trading will resume on Saturday								
Spain	Madrid SE	632.55	637.78	633.22	640.20 1/10	434.54 2/1	2.29	21.7
Electrical utilities hit by news that electricity prices are set to fall by around 3.6 per cent in 1998.								
Sri Lanka	CSE All Share	702.30	698.00	697.70	869.70 31/7	606.70 2/1	na	na
Activity by foreign and local institutions kept the market in business while local retail investors were on holiday.								
Sweden	AffaersvrldnGen	(c)	2930.9	2932.5	3315.80 7/8	2378.50 2/1	1.78	21.8
Switzerland	SMI Index	6265.5	6267.6	6180.4	6287.60 30/12	3922.50 7/1	1.04	23.9
	SPI General	3898.15	3889.56	3849.71	3898.15 31/12	2506.22 6/1		
Window dressing by institutions and a stronger dollar helped shares end at record highs for a second successive day.								
Taiwan	WeightedPr.**	8187.27	8145.77	8076.85	10116.84 26/8	6844.75 8/1	1.05	24.2
Jumped after sharp rises on Wall Street overnight. Electronics and plastics sectors led the rises.								
Thailand	Bangkok SET	372.69	365.82	358.77	858.97 22/1	284.20 24/12	7.75	8.5
Sentiment was boosted by news of widening current account surplus combined with strong foreign markets.								
Turkey	IMKB Nat. 100	3445.00	3459.00	3335.00	3643.00 23/10	995.00 2/1	1.64	20.1
Venezuela	IBC	8650.19	8506.93	8358.87	10817.13 17/10	6061.59 13/3	na	na
The index rose as local investors sought out bargains in quiet trading.								
Zimbabwe	ZSE Industrial	(u)	7007.84	6757.20	12081.85 5/8	6601.51 18/12	na	na
WORLD	FT/S&P World(§)	253.66	253.13	250.86	266.47 7/10	216.61 14/4	na	na
	MS Capital Intl$	937.0*	937.7	925.2	981.80 31/7	794.89 14/4	na	na
CROSS-BORDER	Eurotrack 100	2688.27	2680.74	2657.78	2794.90 7/8	1880.80 3/1	na	na
	FTSE E100	2300.59	2299.75	2285.80	2365.95 7/8	1582.99 3/1	na	na
	HSBC JC Drgn	(u)	250.82	246.55	404.83 6/8	229.55 28/10	na	na
	ING Bngs Emrg	144.70	143.34	141.08	196.81 8/7	136.45 12/12	na	na

** Sat Dec 27: Taiwan Weighted Price 8104.84; Korea Comp Ex 376.31. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ Xetra/DAX after-hours index: Dec 30 - 4224.30 -41.72. † Correction. * Calculated at 15.00 GMT. ⊕ Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. Index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock, whereas the actual day's highs and lows represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation. ♣ Yields and P/E ratios are based on Datastream Total Market Indices. ♣ Midsession.

NASDAQ NATIONAL MARKET

4 pm close December 31

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
[illegible]							

NASDAQ NATIONAL MARKET

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
[illegible]							

AMEX PRICES

4 pm close December 31

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							

EASDAQ

EASDAQ is a fully regulated independent pan European Stock Market focused on high growth companies with international aspirations. The shares of companies on the EASDAQ Stock Market can be bought and sold through EASDAQ Members.

Company	Mid price	Change on day	Volume	High	Low
[illegible]					

Prices for 30/12/97. Please note mid prices are now used to calculate highs and lows. Information about EASDAQ can be found on the Web site at HTTP://WWW.EASDAQ.be. EASDAQ offices are located in Brussels (Tel 32-2-227 65 20) and in London (Tel 44-171 489 3000).

Late sell-off leaves Dow slightly lower

AMERICAS

A late afternoon sell-off for US shares left the Dow Jones Industrial Average slightly lower at the close on Wednesday, *writes John Labate in New York.*

Although the Dow was slightly higher throughout most of the session, it ended down 7.72 to 7,908.25. The broader Standard & Poor's 500 index was less than one point off at 970.43.

"We had light volume today, which is what you would expect after two big days," said A. Marshall Acuff of Smith Barney.

On Monday and Tuesday the Dow rose a total of 236.6 points to help lift the Dow by 22.6 per cent over the year as a whole. The S&P 500 gained 31 per cent in 1997.

Investors on Wednesday, though, paid most attention to the technology and small company sectors. The Nasdaq composite index ended the session with a gain of 5.32 to close at 1,570.35, while the Russell 2000 index of small-cap stocks rose 3.01 or 0.7 per cent to 437.02.

"It's the January effect," said Dan Mathisson, head stock trader at D.E. Shaw Securities. "January is the best month for stocks in general, and small-cap stocks tend to outperform big caps by a decent amount."

In the transport sector, airline stocks were strong. US Airways surged 4.6 per cent or $2¾ to $62¼ after the company announced it would expand its shuttle operations. AMR gained 2\frac{11}{16}$ to $128¾.

It was a mixed day for internet stocks. Netscape plunged more than 9 per cent to $24⅜ after a Morgan Stanley analyst said there was a 60 per cent chance the company would fall short of quarterly estimates. But internet trading company Ameritrade rose 1\frac{5}{16}$ to $29¼.

Bond prices rose in thin trading on Wednesday. By late afternoon, the 30-year Treasury bond was $\frac{5}{32}$ higher at 102$\frac{23}{32}$, sending the yield down to 5.920 per cent.

TORONTO saw the 300 composite index end with a gain of 8.23 to 6,699.44 on Wednesday. Dealers said the tone had been mostly positive in spite of the lack of turnover.

Eight of the 14 sub-sectors of the composite index rose. IPL Energy gained 30 cents to C$65.40 and TransCanada PipeLines 50 cents to C$31.90 to extend the gains by the pipeline sector on the year to 43.5 per cent.

MEXICO CITY overcame a setback for market heavyweight Telmex to end Wednesday with a rise of 22.91 at 5,229.35 on the IPC index. Telmex gave up 5 centavos at 22.75 pesos. Conglomerate Alfa gained 20 centavos to 54.70.

SANTIAGO ended a shortened trading session with the IPSA index off 0.28 at 112.90. Dealers said that volume was very low, with Asian concerns continuing to overshadow investor thinking.

CARACAS pushed higher for the fourth day running. The IBC index gained 143.26 or 1.7 per cent to 8,650 in what dealers described as relatively active trade.

Profit-taking hits golds

Shares in Johannesburg made modest overall gains, although golds continued to suffer some profit-taking after the recent strong rally.

The all share index ended 33.0 lower at 6,202.3 in relatively modest volume.

Industrials put on 41.3 at 7,425.7 but golds stayed dull. The golds index, which touched 789.7 at one stage, clawed back initial heavy losses to end 3.3 lower at 802.2.

Vaal Reefs reached down to R190 before closing all square at R195.

Bulls may keep the bears at bay again

Philip Coggan looks back on a turbulent year for stock markets and examines prospects for 1998

Stock markets, with one glaring regional exception, defied the bears during 1997. Steady growth and low inflation, which buoyed share prices in 1995 and 1996, continued to work their magic.

At the start of the year, many analysts were concerned about the overvaluation of Wall Street, and the danger of rising interest rates. But the US became one of the best performing markets after the Federal Reserve made only one modest tightening of monetary policy, and corporate earnings continued to rise.

Switzerland, the year's second best performing FT/S&P World Index constituent in dollar terms, was also thought to be vulnerable to profit-taking after a very good run. Instead, restructuring, currency benefits and the UBS/SBC merger gave equities another good year.

Europe, in general, was a strong performer thanks to low interest rates, prospects for economic recovery and signs that management was paying greater attention to shareholders' interests.

For the biggest profits, however, one had to turn to smaller, more volatile markets, with Russia, Oman and Turkey leading the way. But most private investors will not have ventured into such high-risk areas and most institutional investors, if involved at all, will only have committed a tiny portion of their portfolios.

Where many institutional investors were committed, much to their regret, was Asia. The worst seven performing markets in dollar terms were all from that continent and the losses for overseas investors in five Asian countries – the Philippines, Indonesia, Malaysia, Korea and Thailand – were on a par with those of the crash of 1929. (Korea does not appear in our table because it is not an FT/S&P World Index constituent).

Prospects for recovery will be an issue facing investors as they make asset allocations for 1998. "Some of the Asian markets which went early into the crisis may see the turning point in the first half of 1998," says Joe Rooney, global strategist at Lehman Brothers.

"Fundamental changes are taking place in economies like Thailand. Once we see some stability, short rates can come down and the markets will benefit. But Korea is only two months into the crisis and the turning point is much further away."

"The situation in Asia is bad and there is still some more bad news to come," says Jonathan Francis, head of global strategy at Putnam Investment Management. "But the markets have discounted a good portion, if not all, of the bad news. If there is a surprise in stock markets this year, it could be that Asian equities will do better than expected."

A more gloomy view is taken by Peter Chambers, chief investment strategist at HSBC James Capel. "Asia is in more than a cyclical crisis, it is experiencing a secular bear market and there will be several hurdles to be jumped before the Asian markets can recover on a sustained basis."

He thinks they will decline in the face of earnings downgrades in the first quarter of the year. As countries return to current account surplus, markets will rally sharply, only for "bankruptcies, poor earnings numbers, an increase in the supply of equities and the continued insolvency of the banking system" to erode confidence in the second half.

Analysts remain hesitant about calling the bottom of the Tokyo market, which has regularly disappointed bulls over recent years.

"Until the government comes up with a package which addresses the economy's structural problems, it is difficult to see the market making headway," says Lehman's Rooney. "However, the downside is probably limited."

Michael Hughes, Barclays group economic adviser, points out 40 per cent of the Nikkei's constituents are priced at a discount to their net current asset value. But he still thinks Tokyo is a trading market rather than a growth market and believes the Nikkei will trade in a 15,000-25,000 range for the rest of the decade.

The scale of Wall Street's rise induces an inevitable amount of caution in forecasts for the US market. Putnam's Francis says: "There's been a dramatic performance by the equity market over the past three years and, statistically, you're unlikely to see a replay. We expect a downturn of about 5 per cent. With economic growth healthy, we expect the upward drift in labour costs to continue and this, with a firm dollar, will put pressure on profit margins."

Barclays' Hughes says "re-rating of the equity market is complete but repricing of the economy, via the dollar, has only just started. That makes us bigger bulls of US bonds than of equities."

Joe Rooney is more optimistic. "We remain positive on the outlook for the US, with the S&P 500 index reaching 1,100 by the end of the year. As the economy slows, that will open the way for cuts in short-term interest rates and allow for bond yields to continue to decline. The yield on the 10-year issue could be down to 5 per cent by the year-end. This will offset any disappointment on the earnings front."

European markets attract a fair amount of support. HSBC's Chambers says: "Europe is our preferred region because it is the only area where economic growth and corporate earnings are expected to be upgraded."

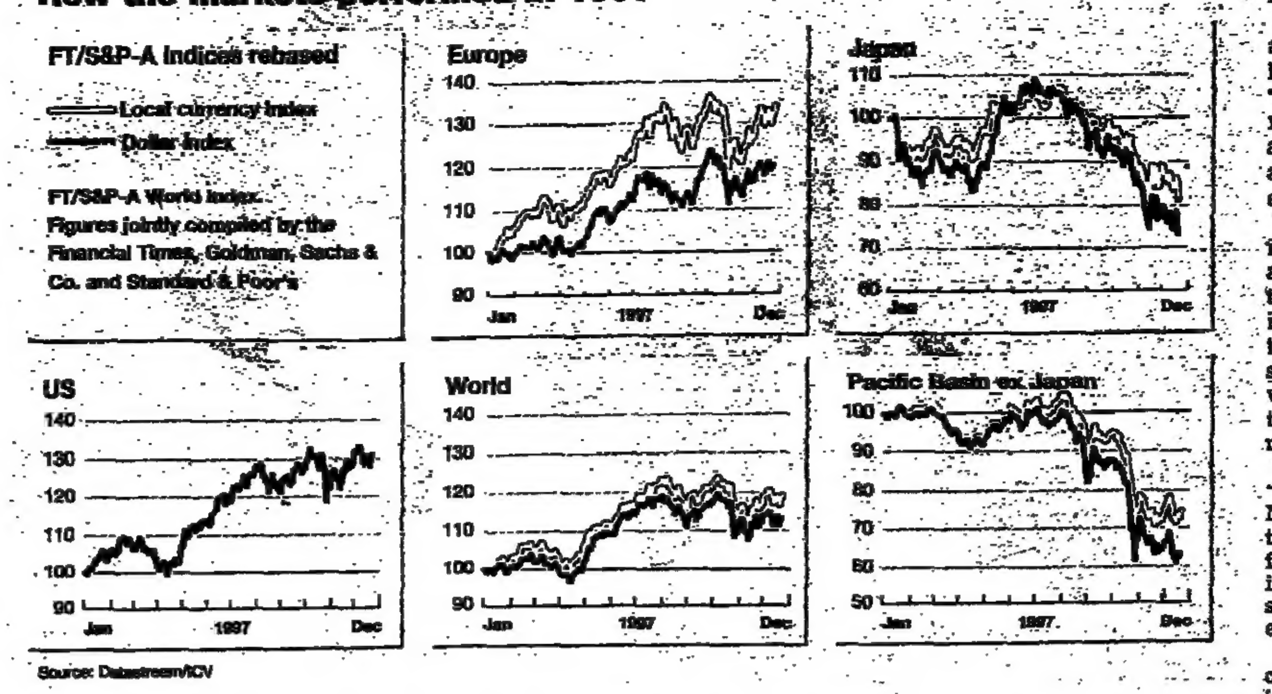
Jonathan Francis says inflation concerns will lessen and there will not be much tightening in monetary policy. "That should be supportive of equity prices, as should the approach of Emu, which will encourage firms to cut costs and indulge in mergers and acquisitions."

But Rooney argues that "much of continental Europe looks expensive to us. Equities will have less support from the bond markets than in the US and we expect to see downward revisions to earnings expectations."

If there is an element of consensus among strategists, it seems to be on Latin America. The region is Lehman's biggest overweight position with Rooney saying "economic fundamentals are not only good, but continue to improve". Francis says Latin American markets "should do quite well provided they can decouple from Wall Street".

The region looks as if it has finally been forgiven for the Mexican crisis – after all, investors have seen worse things in Asia.

How the markets performed in 1997



Source: Datastream/ICV

The winners and losers

FT/S&P Actuaries World Indices, owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd was a co-founder of the Indices

World	% change since 31/12/96 local currency	$ terms		% change since 31/12/96 local currency	$ terms
Mexico	+51.4	+47.8	Belgium	+30.4	+17.8
Switzerland	+55.2	+42.9	Sweden	+29.3	+11.3
Italy	+63.9	+40.9	Norway	+24.8	+8.7
USA	+31.3	+31.3	Austria	+18.2	-0.5
Denmark	+47.6	+27.1	Australia	+9.9	-9.8
Brazil	+35.0	+25.7	South Africa	-13.3	-16.7
Spain	+44.9	+23.7	New Zealand	+1.32	-18.7
Ireland	+45.0	+22.1	Japan	-17.3	-26.2
Netherlands	+42.9	+21.9	Hong Kong, China	-28.5	-29.8
Germany	+40.9	+20.8	Singapore	-35.4	-46.4
UK	+21.9	+17.2	Philippines	-40.9	-61.0
Finland	+34.0	+13.4	Indonesia	-32.7	-77.1
Canada	+16.8	+11.9	Malaysia	-58.0	-72.8
France	+29.4	+11.8	Thailand	-62.2	-78.8

Milan reaches new high for year

EUROPE

European bourses open on Wednesday traded quietly in seasonally low volume.

MILAN notched up a new high for the year while **PARIS** was enlivened in the final part of the day by derivatives expiries.

Trading volume in Paris stood at little more than 5m shares at noon, but ended at 11.7m after a relatively busy final two hours' trading as the December options and futures expired.

The CAC-40 index rose 23.44 to 2,998.91 to end the year within sight of its October peak of 3,094.01.

Peugeot was the day's top performer, adding FFr37 or 5.1 per cent to FFr759. Rémy Cointreau stayed a firm market in spite of a denial that it was in "talks" with Pernod-Ricard. The shares added FFr6.10 or 5.7 per cent to FFr112.3.

MILAN closed with the real-time Mibtel index gaining 73 to a closing high of 16,806 after touching 16,846 at one stage. Montedison rose L38 or 2.5 per cent to L1,589.

Banks mostly stood out against the better tone. Credito Italiano came off L75 at L5,455, Instituto Mobiliare L192 at L21,000 and San Paolo lost L50 to L16,900.

ZURICH ended slightly lower with the SMI index dipping 2.10 at 6,265.50. Volume fell back to roughly half that of Tuesday. Roche was the most active heavyweight, gaining SFr105 to SFr14,505.

SGS Surveillance jumped SFr35 to SFr2,800 as investors continued to respond to news of another share buyback.

MADRID eased on futures-related selling and the general index came off 5.21 at 632.55.

Telefonica took the brunt of the futures activity, giving up Pta235 or 5.1 per cent at Pta4,350 in 8.2m shares traded.

■ **Asian** markets were equally subdued, although the broad trend was upwards.

HONG KONG was a notable exception, running into futures-related selling and ending with the Hang Seng index 32.45 lower at 10,722.76.

BANGKOK turned in one of the region's stronger performances with the SET index gaining 6.87 or 1.9 per cent at 372.69.

Thai Farmers Bank advanced Bt2 to Bt60 in the day's heaviest volume.

SYDNEY ended at a nine-week high with the All Ordinaries index improving 15.1 at 2,616.5. ANZ Bank gained 32 cents to A$10.13.

Among the sprinkling of stock markets open yesterday, **BOMBAY** added 36.56 or 1 per cent to 3,695.56.

KARACHI ended 7.51 lower at 1,746.31 having touched a session low of 1,734.77.

FTSE Actuaries Share Indices — European series

December 31

National & Regional Markets	Ecu Index	Day's %	change points	Yield gross %	xd adj	Total retn (Ecu)
FTSE Eurotop 300	993.08	-0.11	-1.08	2.24	0.00	1000.64
FTSE Eurotop 100	2300.59	+0.04	+0.84	-	-	-
FTSE Eurotop 300 Regions						
300 UK	998.76	-0.48	-4.79	3.17	0.00	1013.30
300 Ex-UK	991.56	+0.11	+1.08	1.72	0.00	994.00
300 Eurobloc	975.50	+0.18	+1.77	1.82	0.00	979.04
300 Ex-Eurobloc	1008.05	-0.31	-3.10	2.46	0.00	1018.53
FTSE Eurotop 300 Economic Groups						
Resources	943.02	-0.46	-4.36	2.90	0.00	955.14
General Industries	919.43	+0.15	+1.38	2.12	0.00	921.64
Consumer Goods	994.58	+0.09	+0.86	1.83	0.00	1005.31
Services	984.68	-0.04	-0.37	2.27	0.00	982.15
Utilities	1033.63	-0.41	-4.29	2.68	0.00	1045.31
Financials	1057.59	-0.20	-2.10	2.17	0.00	1063.43

Base value 1000. More information on http://www.ftse.com. 'FTSE' and 'Footsie' are registered trade marks of the London Stock Exchange and The Financial Times. 'Eurotop' is a registered trade mark of the Amsterdam Stock Exchange. FTSE Eurotop indices are compiled by FTSE International. © FTSE International Limited 1997. All rights reserved. Markets closed: Netherland, Germany, Sweden, Belgium, Denmark, Austria, Finland and Norway.